



State of New Jersey
Department of Community Affairs
Division of Local Government Services

Performance Audit of the
CITY OF CAMDEN

For the year ended June 30, 2008



CITY OF CAMDEN
Performance Audit

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For the Year Ended June 30, 2008

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EXECUTIVE SUMMARY

We have completed a performance audit of the City of Camden for the fiscal year ended June 30, 2008. The objectives of the audit were to determine the strengths and weaknesses in internal controls, compliance with state statutes and regulations in the operational areas of purchasing, fiscal/administration and payroll/human resources and to identify and report on any efficiencies or procedures that could lead to cost savings for the municipality or state. Any outliers identified during the course of the audit were to be followed up on by us.

Additional procedures were performed pursuant to the RFQ issued by the Division of Local Government Services. These additional procedures included a payroll distribution audit, review of all individual employment agreements and public employee labor contracts, assessment of information technology operations, assessment of risk management operations, review of vendor and employee data bases, and an analysis of salary increases.

The overall summary of risk associated with the internal controls in the operational areas was judgmentally determined based on the results of our procedures. In accordance with the RFQ, we have identified a level of risk (high, medium, low) for each area and summarized the results in the following chart:

Process	Final Risk Assessment
Purchasing/Accounts Payable Disbursements	Medium
Payroll	Medium
Human Resources	High
General Fiscal Operations	
Budgeting	Low
Revenue and Cash Receipts	Medium
General Ledger Maintenance	High
Banking and Investments	Medium
Capital Ordinances	Low
Tax Abatements and Exemptions	Medium
Trust Funds	Medium
Grant Accounting	High
Inventory and Fixed Assets	Low
Information Technology Operations	Medium
Risk Management	Medium

In order to efficiently plan and evaluate the operating performance of the above mentioned processes, we performed the following procedures: we assessed planning risk; gained an understanding of each operational area and function; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as

appropriate in order to test the controls in place; and developed recommendations based on the findings noted through the procedures we performed.

Findings were identified relating to internal controls and compliance with state statutes and regulations. Recommendations have been provided to address these findings. A number of efficiencies and potential cost savings have been identified and are detailed in the report. The City of Camden has been the subject of a number of reviews, analyses and audits by a variety of sources. During the course of our audit we reviewed those reports and incorporated any pertinent findings and recommendations into our report.

During the course of our audit, we identified any outliers of which we became aware, whether they were in our scope or not. These outliers are detailed in a separate section of the report.

We would like to acknowledge the assistance and cooperation provided by the City of Camden during the course of our audit. All information requested was provided in a timely manner and employees were instrumental in helping us obtain a clear understanding of the various processes and operational areas audited. There was an open, two way dialogue during the entire course of the audit. This feedback enabled us to provide recommendations that will enable the City of Camden to improve operations and strengthen internal controls.

July 30, 2009

State of New Jersey
Department of Community Affairs
Division of Local Government Services

We have completed a performance audit ("the audit") of the City of Camden ("the City" or "Camden") for the fiscal year ended June 30, 2008. Our audit was conducted in accordance with the standards applicable to performance audits contained in *Generally Accepted Government Auditing Standards* ("GAGAS"), issued by the Comptroller General of the United States of America.

Audit Objectives

The internal control objectives of our audit were to identify the strengths and weaknesses in each area of operational controls and include recommendations to correct any deficiencies identified. The compliance objectives were to determine compliance with state statutes, administrative code and regulations, and local ordinances and resolutions in each of the operational areas. An additional objective was to identify and report on any efficiencies or procedures that could lead to cost savings for the municipality or state. Any outliers identified during the course of the audit were to be followed up on by us.

Audit Scope

The time period covered in the audit scope was the City fiscal year, July 1, 2007 to June 30, 2008. The audit scope did not include the Water Utility Operating Fund, the Water Utility Capital Fund, the Sewer Utility Operating Fund, and the Sewer Utility Capital Fund. These funds are the subject of a separate audit being conducted by the State Comptroller's office.

The audit was conducted pursuant to a Request for Quotations (RFQ) from the NJ Department of Community Affairs, Division of Local Government Services ("DLGS") for performing internal control and statutory/regulatory compliance audits for recipients of Special Municipal Aid (SMA).

Methodology

GAGAS requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A detailed methodology is contained in the Project Overview section of this report.

Findings and Recommendations

Findings and recommendations related to internal controls, compliance, efficiencies and cost savings and outliers are contained in the body of the report.

City of Camden Response

The City's response is included in the section entitled The City of Camden Response at the end of the report.

This report is solely for the information and use of the Division of Local Government Services, management of the Department of Community Affairs, the State of New Jersey, and management of the City of Camden, and is not intended to be and should not be used by anyone other than those specified parties. No client representation letter was received.

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

PROJECT OVERVIEW

Background

The City of Camden was incorporated in 1828. It is the seventh largest city in the State of New Jersey. It is located in Camden County across the Delaware River from Philadelphia. Since July 1, 1961, the City has operated under a Mayor-Council form of government. In 1995, the election was changed from a partisan election to a non-partisan Municipal election. There are seven council seats, comprised of four council manic districts and three at large seats. The Mayor is separately elected and serves as head of the executive branch of government. Reporting to the Mayor are Directors and Departments consisting of the Business Administrator and Administration; Health and Human Services; Public Works; Finance; Utilities; Development and Planning; Fire and Police; the Law Department; and Emergency Management Coordinator. The direct duties and responsibilities of the Mayor are to be the chief executive and administrative officer of the City as per City Ordinance No. MC-1766.

The City of Camden is the only municipality currently under the auspices of the Municipal Rehabilitation and Economic Recovery Act (“MRERA”), P.L.2002 c.43, as amended, which provides for the appointment of a chief operating officer appointed by the Governor in consultation with the Mayor and the governing body. Camden is in a five year extension of the rehabilitation term, therefore, the term of the chief operating officer has been extended to ten years to achieve the rehabilitation goals.

The chief operating officer is responsible for entering into any memorandum of understanding on behalf of the municipality that is required as a condition of receiving assistance under the Special Municipal Aid program. The City’s fiscal year 2008 budget was \$178,303,214.

Methodology

In preparation for the audit, we reviewed the Annual Financial Statement (AFS) for fiscal year 2008, the 2008 fiscal year audit report and related corrective action plans, organizational charts, the Memorandums of Understanding between the City and DLGS for fiscal years 2008 and 2009, the MRERA legislation and applicable administrative code and regulations.

Key audit risks were identified in the operational areas of purchasing, fiscal/administration and payroll/human resources. An understanding of Camden’s internal control environment was obtained through a review of internal policies and procedures and interviews with key personnel. A walk-through was performed to identify key controls and mitigating controls.

We tested the period from July 1, 2007 – June 30, 2008. For processes with a population less than 200, we based our sample size on the process's audit risk, the confidence level determined for the process and the maximum tolerable deviation rate which was assessed during the planning phase of the audit. From these assessments, we determined our sample size. For processes with populations greater than 200, we determined the tolerable deviation rate and sample size risk of overreliance in order to determine our sample sizes.

Fiscal/administration operations included the cycles for budgeting, cash receipts, accounts payable, encumbrance and general ledger maintenance. Banking and investment practices were examined for consistency with state law and investment policies and procedures were examined to determine that they were established, followed and effective. Grant accounting was examined for compliance with contract terms. Reimbursement and draw-down procedures were examined to determine compliance and timeliness. Capital ordinances, tax abatements and trust funds were examined for compliance with law, regulation and local ordinance. The impact of SAS 112 as it relates to the financial staff and their ability to record and prepare the financial statements was examined.

For payroll/human resources operations we tested controls over manual and non-manual payments, that payments and salaries were properly authorized and paid in accordance with contract terms, that position control reconciled with payroll and budget, that timesheets supported hours paid and employee benefits were authorized by contract and resolution. A judgmental sample over two payroll periods was tested.

Due to the technical nature of the information technology (IT) operations, we utilized specialists to assess the adequacy of the IT infrastructure, administrative support and fiscal applications. The assessment included both on and off-site reviews of the City Hall Annex, its current physical and functional elements, proximity to hazards, security and resiliency. The business administrator was interviewed regarding policies and procedures, building usage, issues of concern, IT systems and protections, past events and emergency procedures. The building was toured extensively and the exterior and immediate surroundings surveyed.

Risk management operations were assessed to determine the controls and policies in place, the roles of the Risk Manager and the third party administrators were examined, and adequacy of insurance coverage versus cost was examined.

Controls over fixed asset inventory were assessed and adherence to the capitalization policies was examined.

A payroll distribution audit was performed over several pay periods in April and May 2009. All employees were included except the employees working the third shift, such as police, fire and emergency personnel. Employees were required to provide picture identification in the form of their employee ID card or motor vehicle license and to sign for their checks. For any employees who did not show up to sign for their checks, alternate procedures were performed. These alternate procedures included review of their personnel file and verification of timesheets for the payroll distribution period.

All professional service contracts, competitive contracts and extraordinary unspecifiable contracts entered into during fiscal year 2008 were reviewed for compliance with Local Public Contracts Law. All individual employee agreements and public employee labor contracts were reviewed for compliance and reasonableness of benefits. The adequacy of the organizational structure as it relates to the operational areas reviewed was assessed.

Procedures were applied to determine whether any payments exceeded the original purchase order amount by more than 20 percent and to determine impact on bidding requirements. Vendor databases were reviewed to identify vendors using post office boxes or commercial mail receiving agencies. Criteria were developed to exclude nationally known companies, government agencies and vendors receiving less than \$2,000 during the last fiscal year. Additional procedures were applied to the remaining vendors to determine their authenticity. These procedures included web site searches, verification of business registration with New Jersey and ensuring the vendors were not on the Treasury suspension/debarment listing.

The personnel databases were reviewed on a sampling basis to identify incomplete and missing key data elements. Payroll data was analyzed to identify employees who received greater than the normal number of payroll checks within fiscal years 2007 and 2008. W-2's were scanned to identify employees with higher earnings than entitled according to labor agreements. Payroll and personnel data was also analyzed to identify employees whose base rate of pay increased by greater than \$7,500 from fiscal year 2008 to fiscal year 2009.

EFFICIENCIES AND COST SAVINGS

Several issues were identified during the course of the audit that may provide for efficiencies and/or cost savings for the City of Camden and the state. These issues would need to be explored by the City and the state to determine the feasibility and extent of the savings. The issues are as follows:

- In order to control costs associated with Workers Compensation, the City should consider reducing the maximum time allowed for employees to be out on paid leave under the Injured on Duty (“IOD”) policy. The current IOD policy grants uniformed employees up to one year and non uniformed employees up to ninety (90) days leave of absence with pay. A reduction in the one year time frame combined with a more effective use of the light duty provisions in the bargaining agreements could significantly reduce these costs.
- The City has a health insurance opt-out policy which allows eligible employees to waive health benefit coverage in return for 50% of the premium which the City would have paid for healthcare coverage. The premium is based on the rates for medical coverage under the Aetna PPO, dental and prescription coverage. Approximately 140 employees participate in this benefit, including 12 retirees. Benefit payments total about \$1.25 million per year. The 50% rate is the maximum allowed by statute. The decision to allow the waiver and the amount of consideration is not subject to the collective bargaining process. The City should consider reducing the amount of the opt-out benefit.
- The City has eight collective bargaining agreements which all expired on December 31, 2008. Agreements with each of the two police unions were extended for one year. The terms and conditions of the eight contracts are not consistently worded and there are different benefit provisions in each. A number of arbitration hearings have been held due to interpretation issues on contract language. Since six agreements are currently in negotiation and the other two will expire soon, a consistent bargaining position and more uniform language in the contracts would result in greater efficiency in managing the agreements.
- The collective bargaining agreements provide for the payment of unused sick time upon retirement. None of the eight agreements have a cap on the amount of time that may be paid. The State of New Jersey has a cap of \$15,000 for state employees. Public Law 2007, Chapter 92 placed the same \$15,000 cap on elected and appointed officials within political subdivisions of the state. The City should consider placing a \$15,000 cap on unused sick time for new employees in all collective bargaining agreements.
- The City has various plans and providers for healthcare and does not participate in the New Jersey State Health Benefits (NJSHB) plan. Studies and analyses have been performed by the New Jersey Division of Pensions and Benefits and the Brookings Institute which indicate considerable savings to the City by participating in the NJSHB. This may be impacted by proposed increases in NJSHB rates.
- The City has entered into several shared services arrangements. There should be an on-going process that strives to identify additional opportunities for efficiencies and savings.

OUTLIERS

During the course of our audit, we became aware of several observations that were not directly in our scope with respect to the operational areas subject to the internal control and statutory compliance audits. We provide the following findings and recommendations associated with those observations:

Public Law 2007, Chapter 92

Public Law 2007, Chapter 92 was effective July 1, 2007. This legislation created a new retirement program for certain public employees, imposed limits on sick and vacation leave retirement benefits, and sets limits on pension system membership for employees that receive compensation from a professional service contract. The Division of Local Government Services issued Local Finance Notices LFN 2007-28 and LFN-2008-10 to provide additional guidance to local government units in implementing this law. N.J.S. 43:15C-2 requires the governing body of each county, municipality and other local entity to adopt, as appropriate, either a resolution or ordinance to determine the positions subject to the law. The City has not adopted such resolution or ordinance as necessary to implement these provisions.

Recommendation

- The City should adopt an ordinance that meets the requirements of the law and complies with the Local Finance Notices.

Third Party Lien Holder

During the discussion of fraud inquiries which is required under Generally Accepted Government Auditing Standards, we became aware of two recent frauds within the Third Party Lien Holders account which is managed in the Tax Collector's Office. The dollar amount of these two frauds was in excess of \$43,000. At least one situation involved the presentation of fake identification.

Recommendation

- The City should review the operating procedures within the Third Party Lien Holder account and provide training to staff on acceptable identification.

Ethics and Whistleblowers Policies

The City does not have an Ethics Policy or Whistleblower Policy in place. An ethics policy was developed and presented to Council, but the resolution was tabled pending the issuance of a revised ethics policy by the State.

Recommendation

- The City should issue Ethics and Whistleblower policies as soon as possible. The Office of Information Technology could place these policies on a website where annually, all employees can electronically review and accept terms of each code/policy. For those employees without access to a computer, a manual document will require a signature and be maintained in the employee's personnel file in the personnel department.

Pay Cycle

We identified five employees who are paid on a different timesheet cycle than the rest of the employees. These employees were hired prior to October 1973. They are paid on the same day that their bi-weekly time period ends. Therefore, no week is held back.

Recommendation

- These employees should be on the same timesheet cycle as all other employees.

Written Policies and Procedures

There was a notable lack of formal written policies and procedures throughout the operational areas. Purchasing was a notable exception. A revised Purchasing Manual has been recently issued. Documentation of internal controls in place should be noted in the processes. There is a lack of ongoing training in many departments. As noted in the General Ledger Maintenance section of this report, there are issues identified that affected the ability of the City to prepare their financial statements. Many of these issues could be addressed by training to the Bureau of Accounts and Controls staff.

Recommendation

- The City should develop a comprehensive policy and procedure manuals for each operational area.
- Training should be provided on a regular on-going basis, particularly in areas noted as weaknesses in previous audits, reviews and analyses.

INTERNAL CONTROL, COMPLIANCE, FINDINGS AND RECOMMENDATIONS

PURCHASING, ACCOUNTS PAYABLE AND CASH DISBURSEMENTS

In order to efficiently plan and evaluate the operating performance of the purchasing, accounts payable and cash disbursements process, we performed the following procedures on purchasing, accounts payable and cash disbursements as well as the sub processes identified: we assessed planning risk; gained an understanding of the Bureau of Purchasing, the Bureau of Accounts and Controls and the functions these Bureaus perform related to purchasing, accounts payable and cash disbursements; performed walkthroughs of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to purchasing, accounts payable and cash disbursements; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Purchasing, Accounts Payable and Cash Disbursements Process

The Bureau of Purchasing, under the direction of the Purchasing Agent, reports to the Business Administrator. Bureau of Purchasing consists of Purchasing Agent, Assistant Purchasing Agent, Printing Machine Operator 4, Assistant Administrative Analyst, and Senior Clerk.

Functions

The primary object of the Bureau of Purchasing is to provide the highest quality of goods and services needed by all City departments on a timely basis, and at the lowest possible price. In order to execute these objectives, Bureau of Purchasing has several functions which include, but are not limited to:

- Purchasing and/or contracting of goods and services for the City of Camden.
- Management of citywide purchasing system used by all city departments pursuant to state law and ordinance.
- Request for proposal (RFP) process.
- Bid Process.
- Auctions for vehicle sales, equipment, computer and bike sales.

Controls Identified

- Pre-numbered requisition forms
- 1st approval with Department Head
- 2nd approval with Bureau of Purchasing
 - Clerk assigned to each department reviews and approves
 - Qualified Purchasing Agent (QPA) – Purchasing Dept. Head approves
- Purchasing Review Committee meeting with Business Administrator, QPA, Director of Finance and City Treasurer/CFO.
- NJ Department of Treasury representative approves and signs off.
- 3rd approval with Finance Department

- Requisition transforms into Purchase Order
- User Departments receiving goods do not order goods from vendors. This is done separately by the Purchasing Department.

Authorization

When goods or services are received, the User Department designates a person to accept goods received from vendors. The quantity and condition of purchases is reviewed by the designated person and acceptance or rejection information is then forwarded to the Accounts and Controls Department. The Accounts and Controls Department reconciles prices and quantities to original Purchase Order information.

When the invoices are received from vendors, Accounts and Controls Department prepares a billing list spread sheet for the Treasury Department. The Treasury Department reconciles the list received and reviews available funds for the disbursement. A check is cut for the disbursement by the Finance/Treasury Department upon completion of this process.

Initiation and Recording Procedures

Invoices that are received by the Accounts and Controls Department are compared to the terms of purchase and prepared on a billing list. A billing list contains all payables needed for a particular week and are sent to Sheila Bayard, CFO for approval. Upon approval, the Treasurer's office records the bills that have been paid in Edmunds Software. The bills that have been paid are subsequently sent to City Council for review for informational purposes in accordance with the City Administrative Code, Chapter 5-88, as amended by Municipal Ordinance MC-3032.

Processing and Reporting Procedures

In the City of Camden, the Treasury Department has the responsibility to record and cut checks that have been made for payable accounts. Sheila Bayard, CFO performs monthly reviews for entries made in the Edmunds Software for reconciliation purposes. She also has the responsibility to ensure proper cutoffs have been achieved for periods ended. A Purchase Review Committee (PRC) meets weekly to review and approve all direct vouchers and requisitions prior to processing. The PRC is comprised of the Business Administrator, Chief Financial Officer/Treasurer, Director of Finance, the Qualified Purchasing Agent (QPA) and the legislative liaison from City Council. Additionally, a representative of the State Treasurer's office reviews these documents.

Statutory and Regulatory Compliance Tested

- During cash disbursement testing, disbursements were examined to determine that disbursements were coded to the proper fund.
- In procedures performed related to vendor testing, suppliers and vendors were tested for debarment restrictions set by the State of New Jersey.
- Compliance tested in accordance with N.J.S. 40A:11-4.5(h), requiring certification of availability of funds for all contracts and professional services.

- Compliance tested in accordance with N.J.S. 40A:11-3, which requires the City to award bids for all contracts over \$29,000, since the City has a Qualified Purchasing Agent, with exception of professional service contracts as described in N.J.S. 40A:11-5.
- Compliance tested in accordance with N.J.S. 40A:11-4, which require the City to advertise all contracts awarded through the bidding process.

Findings and Recommendations

During testing, there were several items in our sample selection where the purchase orders and receiving reports were unable to be located by the Bureau of Accounts and Controls. These disbursements totaled approximately \$380,000.

While performing procedures related to vendor testing, it was noted that access to the vendor master file is not restricted.

- We recommend that controls be re-evaluated and the edits made to the vendor master file should be restricted.
- The City of Camden should review and update the vendor listing used in the Edmunds System. As a result, vendors can be distinguished by active and inactive accounts.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the purchasing, accounts payable and cash disbursements process as medium.

PAYROLL

In order to efficiently plan and evaluate the operating performance of the payroll process, we performed the following procedures on the payroll process as well as the sub processes identified: we assessed planning risk; gained an understanding of the Bureau of Payroll and the functions it performs related to payroll; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to payroll; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Payroll

The Bureau of Payroll, under the direction of the Payroll Supervisor, reports to the Director of Finance. The Bureau of Payroll consists of the Payroll Supervisor and two supporting payroll staff.

Functions

The primary object of the Bureau of Payroll is to administer all payroll related processes for employees and retirees. In order to execute these objectives, the Bureau of Payroll has several functions which include, but are not limited to:

- Ensure employees and retirees are compensated at the rate of pay associated with the position.
- Make voluntary payroll deductions as requested by the employee.
- Administration of the State's pension for the employees of the City of Camden.
- Ensure proper documentation of timesheets.

Sub-Processes Identified

During our testing, we identified several sub processes as part of the payroll function, including the following:

- Reporting of earnings to ADP; ADP is contracted by the City of Camden for payroll services which include generating payroll checks and pay stubs for Camden employees.
- Review of checks prepared by ADP and paycheck distribution.
- Preparation of any adjustments per approval of the applicable Department Head, such as docked time adjustments.
- Monitoring of salary and hourly wages measured by Kronos, an electronic time system through a swipe card.
- Preparation of payroll process.

Controls Identified

During testing, we identified the following controls in place:

- The Bureau of Payroll does not have access to the bank account from which payroll is distributed. This account is controlled by the Treasury Department and access is restricted from the Bureau of Payroll.
- The Bureau of Payroll uses information of timesheets approved by a Department Head and signed off by immediate supervisors for payroll amounts.
- Salaries are determined through the collective bargaining process and are approved by a City Council approved salary schedule.
- Live checks and direct deposit stubs are released by the Bureau of Payroll to a designated department representative who delivers the checks to his or her department.
- Payroll Supervisor reviews and approves checks to be prepared by ADP using a software program developed by ADP. The supervising payroll clerk maintains a back up of information uploaded to ADP.
- The Bureau of Payroll is the only department with access to the ADP software with the exception of Information Technology Department; however, access by the IT Department is limited to troubleshooting software.
- Employee's W-4 form information is prepared and maintained by the Bureau of Payroll.

Findings and Recommendations

The first payroll disbursement period tested had an error of a double payment to the City Council Department employees. Per discussion with the payroll supervisor, during review of the pay checks received by ADP, the payroll supervisor noticed that City Council employees had a batch number accidentally entered twice into the payroll cycle. The error was not previously found in the review prior to release to ADP. The Payroll Supervisor made notification to the City Council Department employees explaining the reasoning and corrective action process necessary for the error. Since a double salary payment was received by employees in City Council, their salary for the next pay cycle was entered as zero in the subsequent payroll cycle.

The City is in the process of fully implementing an electronic time system called Kronos which records time utilizing a swipe card. The Kronos system is maintained on a shared server (AS400) with the County of Camden. This transition can be assisted by the County of Camden's knowledge and experience of the software because it is the system they use for their payroll functions.

- The City's Administration should determine a date at which the HTE payroll system is to be fully implemented for use by the Bureau of Payroll.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the payroll process as medium.

HUMAN RESOURCES

In order to efficiently plan and evaluate the operating performance of the human resource function, we performed the following procedures on the human resource function as well as the sub processes identified: we assessed planning risk; gained an understanding of the Bureau of Personnel and the functions it performs related to human resources; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to human resources; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Human Resources

The Bureau of Personnel, under the direction of the Personnel Administrator, reports to the Business Administrator. The Bureau of Personnel consists of the Personnel Administrator, Senior Personnel Assistant, Supervisor Health Insurance Benefits, Principal Personnel Clerk Typing, and Clerk.

Functions

The primary object of the Bureau of Personnel is to process all employee personnel actions. In order to execute these objectives, the Bureau of Personnel has several functions which include, but are not limited to:

- Provide effective and efficient services that focus on recruitment and retention of qualified employees in accordance with the NJ Department of Personnel guidelines.
- Provide quality and cost-effective benefit programs that meet the needs of employees, and retirees, and to administer an effective salary/compensation management program.
- Provide job applications to interested individuals, maintain applications on file for six months, and provide copies of applications to department directors when a vacancy occurs.

Sub-Processes Identified

During our testing, we identified several sub processes as part of the human resources function, including the following:

- The Bureau of Personnel follows the Civil Service Laws of New Jersey.
- All potential employees applying for a City position are required to fill out information on the New Jersey Department of Personnel website. This information is received by the City using the CAMPS system on the New Jersey Department of Personnel's website.
- Any information that is adjusted for an employee's file requires a yellow form to be prepared and completed by the Bureau of Personnel. The yellow forms contain information regarding changes of position, salary and any other changes to documentation necessary for an employee file. The yellow form requires approval signatures of Maryellen Sittner-Personnel Officer, Christine Tucker-Business Administrator, Joe Galdo-CFO, and Theodore Davis-COO.

- Newly hired uniformed employees are to be reviewed on a quarterly basis throughout the one year probationary period. Newly hired non uniformed employees are to be reviewed on a monthly basis throughout the 90 day probationary period. This review process has also been implemented for all recently promoted employees.
- The Personnel Bureau uses SAGEM Morpho which is a national screening process with finger printing record keeping information for all hired employees.
- Civil Service guidelines are used for disciplinary reasons. (*i.e. Verbal / Written warning processes and so on.*)
- All employee hearing and appeal procedures are recorded on the yellow forms and adhere to the New Jersey Civil Service Laws.
- Time and leave usage is recorded in individual employee records.

Controls Identified

During testing, we identified the following controls in place:

- A waiver package for employee actions must be submitted for approval to the Director, DLGS which is signed by the Mayor, Business Administrator, CFO and COO.
- The Director, DLGS must provide an approval number, known as a CAM number which is necessary to process actions through the CAMPS system maintained by the NJ Department of Personnel.
- All employee files are required to remain in the Bureau of Personnel on the 4th floor of City Hall.
- All files removed from the filing room within the Bureau of Personnel require a sign-in/out sheet to be logged.
- Employee files require application forms completed by employees, I-9 forms, accrued sick and vacation information, background checks, resumes and any salary rate adjustments necessary.
- Changes to an employee's file record require approval signatures as listed above.
- The Bureau of Personnel has limited access to the ADP payroll and Edmunds software, such as viewing document access.
- The Department of Risk Management handles all random drug screening processes. Risk Management also handles all injured on duty issues.

Compliance Tested in Accordance with the RFQ

We tested twenty-six files in City Hall, Fire and Police Departments. A selection was made from signatures not observed in the payroll distribution testing for alternative procedure reasons. Employee files selected were tested for documentation including: I-9's, employment applications, background checks, time sheet information, and NJDOP new hire information.

Findings and Recommendations

Accumulated time and leave balances on the books as of December 31, 1996, are frozen and the processes for recording accumulated time and leave usage, particularly for the uniformed employees, vary in accordance with the respective collective bargaining agreements. There have been a number of arbitration hearings on these processes.

There is a joint effort between the DLGS and Department of the Treasury to review all employee time and leave balances to establish beginning balances to input into the SunGard HTE system. SunGard HTE is a payroll and time and leave reporting system. We did not examine the time and leave process as part of our audit.

The delay in the implementation of this system has impacted the training of timekeepers assigned to the various operating departments. Some timekeepers have retired and their replacements have not been adequately trained.

During the employee file testing, we found two files that did not contain required I-9 forms. Both files were employees within the Police Department. Per discussion with the Personnel Officer, these files are currently being reviewed and completed with all required information. The City Hall employee files have been completed and the Personnel Department is in the process of completing Fire and Police personnel files.

- When the beginning balances have been completed and the system is ready for full implementation, training needs should be assessed.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the human resources functions and processes as high.

BUDGETING

In order to efficiently plan and evaluate the operating performance of the budgeting process, we performed the following procedures on the budgeting process as well as the sub processes identified related to budgeting: We assessed planning risk, gained an understanding of the Department of Finance and the functions it performs related to the budgeting process, performed a walkthrough of the process, identified and examined internal controls and compliance, and developed recommendations based on the findings noted through the procedures we performed.

Summary of Budgeting

NJ Local Budget Law stipulates miscellaneous revenues be budgeted based upon prior year's amounts collected in cash unless written consent is obtained from the Division. A municipality shall limit any increase in the budget to 2.5% or the cost-of-living adjustment, whichever is less, over the previous year's final appropriations subject to exceptions described in N.J.S. 40A:4-45.3. There shall be included in the budget an appropriation for "reserve for uncollected taxes" sufficient in amount so that the anticipated cash receipts for the fiscal year shall at least equal the sum of items described in N.J.S. 40A:4-40, each of which is referred to as a "lawful yearly expenditure."

Under the MRERA legislation the City cannot increase the municipal portion of the general tax rate over the rate established for the year in which the rehabilitation took effect. Therefore, since 2002 the municipal tax rate has been flat which restricts the City's ability to generate tax revenue. Special municipal state aid has been provided to help bridge the revenue gap.

Functions

The functions of the Finance Department, as it relates to budgeting, includes, but is not limited to:

- Assisting the Mayor, City Administration and City Council with the preparation of annual budget that will provide adequate funding for all of the services needed in the City of Camden.
- Establishing an Office of Management and Budget within the Director's Office.
- Assisting in reducing the structural budget gap of the City, thereby minimizing the need for additional state aid.
- Aiding in the removal of the State of Imminent Peril. Minimize the need for additional State Aid/reduction of structural deficit.

Sub-Processes Identified

The following sub processes were identified as part of the budgeting process which includes the following:

- Monitor budget versus actual reports on a monthly basis to track the City's performance.
- Monitor budget versus actual reports on a monthly basis for over-expenditures.

- Monitor transfers between line items on budget during last two months of fiscal year and three months after the close of fiscal year.

Controls Identified

In performing testing procedures, we identified the following significant controls:

- Budget is reviewed by the New Jersey Department of Treasury and the Division of Local Government Services throughout the process of preparation, adoption, execution and reporting.
- Financial Status Reports prepared on a monthly basis by Director of Finance and reviewed thoroughly for individual department expenditures.
- Budget is approved by the City Council at a public meeting.
- Budget is approved by the Division before the public hearing is held.
- Budget transfers are only permitted in the last two months of the year and the first three months of the subsequent year as part of appropriation reserves and must be approved by the Council.

Statutory and Regulatory Compliance Tested

Compliance testing in accordance with N.J.S. 40A:4-10 which requires the City to adopt the budget by September 20 and if not adopted by then, the CFO should let the director of the Division of Local Government Services know by the next working day after expiration of the permitted time.

Findings and Recommendations

The FY 2008 budget was not adopted by the statutory deadline of September 20th. However, the City had an approved extension deadline which was met. The City has the capacity within the City's current accounting software, Edmunds, to generate budget versus actual expenditure reports. This function is not currently being utilized.

- We recommend that the City examine this functionality within Edmunds and implement the utilization of such controls within their Edmunds accounting system. This will make the tracking and analysis of the budget significantly more efficient and timely.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the budget process as low.

REVENUE AND CASH RECEIPTS

In order to efficiently plan and evaluate the operating performance of the revenue and cash receipt process, we performed the following procedures on revenue and cash receipts as well as the sub processes identified related to revenue and cash receipts: we assessed planning risk; gained an understanding of the Bureau of Revenue Collections and the functions it performs related to the revenue and cash receipt process; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to the revenue and cash receipt process; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Revenue and Cash Receipts

The City records revenues when received in cash except for certain amounts which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the city's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the city which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Significant revenue sources for the city are property taxes, water charges, sewer charges and trash charges. Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the County of Camden and City of Camden School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

The City is responsible for levying, collecting and remitting school taxes and county taxes for the City of Camden School District and the County of Camden, respectively. For school operations, the full amount to be incurred is required to be certified by the beginning of the fiscal year. For the County, operations are charged for the amount due to the County for the year, based upon the ratable required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations are charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

The Bureau of Revenue Collections, under the direction of the Tax Collector, reports to the Director of Finance. The Bureau of Revenue Collections consists of the tax collector, assistant tax collector, four tax searchers, principal cashier, four cashiers and three tax clerks.

Functions

The primary objectives of the Bureau of Revenue Collections is to increase the percentage of current tax revenues collected, to decrease the reserve for uncollected taxes and the collection of

delinquent taxes. In order to execute these objectives, the Bureau of Revenue Collections has several functions which include, but are not limited to:

- Reduction of tax liens receivable.
- Preparation and mailing of tax bills within the dates prescribed by law.
- Provide central cashiering for the City of Camden, including taxes and departmental turnovers, posting all payments and receipts in a timely manner.
- Servicing of customer accounts on a daily basis.
- Generate and mail delinquent notices quarterly.
- Enforcement of tax collections, assessments and utility charges by holding annual tax sales within the time prescribed by law.
- Servicing of outside lien holder accounts by providing a list of subsequent amounts due for payment.
- Receiving and verifying affidavit of payments from outside lien holders.
- Request for the return of Tax Lien Certificates stamped for cancellation for all redeemed liens. Upon the receipt of the redeemed Certificates, return redemption amounts to the outside lien holders.
- Daily & monthly reports to the Treasurer.
- Monthly reports to the Director of Finance.
- Yearly reports to the governing body.
- Research the paid/delinquent & lien status of said properties for title, mortgage, and insurance companies and then issue an official certified tax search.
- Verification of the tax status of certain properties to process fire insurance checks and to report the status to the Building, Zoning, and License & Inspection Bureaus upon request.
- Sorting of incoming and interoffice mail; postage-meter outgoing mail.

Sub-Processes Identified

In addition to the collection of revenue and the cash receipt process, several sub processes were identified as part of the revenue and receipt process, including the following:

- Tax billings and collections
- Central cashiering
- Refunds of overpayments
- Reconciliations
- Delinquent taxes
- Accelerated tax sale

Tax Billing and Collections

Property tax bills are prepared based upon the taxable valuation of each taxable property. The Tax Assessor is responsible for the assessment of each property and is required to annually certify said valuations. Upon certification the property tax bills are prepared by multiplying the current tax rate by the current assessed value. Certain properties are subject to statutory deductions which are reflected in the total amount due. Certain of these deductions are subject to annual taxpayer qualification and approved by the Tax Collector.

Any changes made to property value reassessments, protests or appeals are made at the Tax Assessor's office. There are strict deadlines as to appealing property value assessments and appeals must be done by the property owner and approved by the assessor's office. PILOTS and abatements are reviewed by the Tax Assessor's office where the agreements are maintained. All properties are coded in the Tax Assessor's office. From the entry into Edmunds in the Tax Assessor's office, billing is invoiced, printed and mailed by Tax Collector's office.

On January 1, prior to the next fiscal billing year, the assessor's office establishes an assessed value for every property within its jurisdiction. The Tax Assessor's book is completed by January 10 and anything after January 10 falls into the next taxable year. The Assessor's office determines which properties have abatements, PILOTS or exemptions. Tax-exempt or abated properties must have the application filed within 30 days of receiving a certificate of occupancy. All determinations for exempt/abated properties must be made by January 10.

The amount billed is established by the assessed value of each property and the interest rate as certified by the State. Once the City has all of the assessed property values and the new tax rate is received from the county, the information is loaded into the Edmunds system. Then the billing calculation is done and a file created to print the bills and update the tax system. The bill stub is the remittance advice used to paying taxes either by mail or at the cashier's office.

Central Cashiering

The City has a central cashiering system where transactions are initiated and recorded by the Tax Collector's Office and posted to the general ledger by the Finance Department. For cash receipts, at the close of each day, daily cash reports are printed by each of the four cashiers and a summary is created of daily cash deposits by the principal cashier. The Principal Cashier counts and reconciles batches from the amount collected to amount posted. The Tax Collector's Office provides a daily summary to the Finance Department who posts the entry to the Edmunds software. The tax collection module is reconciled to daily cash reports monthly by the Assistant Tax Collector. Instances of incorrect processing that may occur would be identified and resolved during the reconciliation process of the daily deposit summary reconciliation. Reconciliations would disclose either a shortage or overage amount of cash receipts collected to cash receipts in the system and would be investigated and resolved.

Access to cash receipt collection is limited to cashiers. When receipts are collected, the funds are maintained in a locked drawer until the close of the day. After the money is collected, it is counted and reconciled by the principal cashier and locked in a safe. The only people with access to the safe are the principal cashier, tax collector and assistant tax collector. An armored car service (GARDA) picks up the money and delivers monies to the bank for deposit on a daily basis.

Individual Departments outside of City Hall who collect cash are required to forward the cash and receipts directly to the tax collections department, where receipts are logged in a daily log book. The City receives cash receipts either by mail or in person at the tax office. Cash receipts are logged and manually posted at the close of each day by the Finance Department. For the

Police Department, where cash is collected for fees associated with Police Reports, cash is collected and logged by the Police Department and delivered to the tax collection office on a weekly basis. All cash from the Police Department is delivered to the tax collection department and handled as a cash receipt of the tax collection department.

Refunds of Overpayments

The Tax Collector can issue refunds or credits on taxes as necessary. On a monthly and quarterly basis, the Tax Collector examines and reviews any taxes that are unapplied or are paid in excess of the amount owed. All refunds and credits must be approved by the Tax Collector and the City Council through execution of a resolution.

Delinquent Taxes

For property taxes there is 10 day grace period from the date the payment was due. When the City is delinquent in billing customers, there is a 25 day grace period from the date the bill is mailed. After the grace period, there is a tiered interest calculation for delinquent property taxes where 8% is due on the first \$1,500 and 18 % interest is applied to any amount that exceeds \$1,500. As required by the State, the City holds an accelerated tax sale on an annual basis which includes all municipal charges including property taxes, sewer charges and water charges.

Accelerated Tax Sale

N.J.S. 54:5-19

In accordance with State mandates, at the tax sale a tax sale certificate/ lien on the property is sold. Tax sale certificates can earn interest of up to 18%, depending on the winning percentage bid at the auction. At the auction, bidders bid down the interest rate that will be paid by the owner for continuing interest on the certificate amount. If the interest is bid down to 1%, then a “premium,” is bid starting at \$0 to whenever the bidding stops to obtain the tax sale certificate. The premium is kept on deposit with the municipality for up to five years. If the tax sale certificate is not redeemed, or the property foreclosed upon within the five year period, then the premium escheats to the municipality. No interest accrues on the premium to the benefit of the buyer of the tax sale certificate.

The winning bidder is the one who bids the lowest percentage of interest or bids the highest premium. Bidders are urged to contact the Tax Collector for local payment restrictions before the sale. At the close of the sale, the winning bidder must immediately pay (pursuant to the local restrictions) the municipality the taxes and interest to date; in exchange the municipality will provide the bidder the tax sale certificate. In order for the winning lien holder to protect their interest in the tax sale certificate, it should be recorded in the Deed Room at the County Clerk’s Office within 90 days of the sale.

In addition, taxes continue to accrue on the property after the sale of the certificate. Bidders have the option to pay these subsequent taxes; if they are not paid, a tax sale certificate will be sold at the next tax sale. Any subsequent certificate issued will be superior to any prior

certificate. Subsequent taxes paid by the lien holder earn interest at the rate set by the municipality.

If the certificate is redeemed by the property owner prior to foreclosure, the certificate earns a redemption penalty at the rate of 2, 4, or 6 percent, depending on the amount of the original tax sale certificate, in addition to any interest rate on the certificate.

After two years, a lien holder can begin proceedings in Superior Court to foreclose on the property. If foreclosure is perfected, then the name on the deed is changed to that of the lien holder who can then take possession of the property.

The Tax Collector provides public notice via its website and publicly posts a listing of all eligible properties in the Courier Post. Additionally, the Tax Sale list, disclaimer, bidder information sheet, procedures for bidding at tax sale is posted on the City's website.

Controls Identified

In performing testing procedures, we identified the following significant controls:

- Daily cash summaries showing reconciliation of receipts collected are prepared by cashiers, reviewed by Principal Cashier and occasionally reviewed by the Assistant Tax Collector.
- Access to the Edmunds accounting system is restricted to department use and based on job specifications.
- The Bureau of Grants Management and the Finance Departments are notified whenever grants are received by the Mayor's office.
- Only three individuals; Principal Cashier, Assistant Tax Collector and Tax Collector have access to safe where cash is kept.
- An armored truck picks up monies on a daily basis to be deposited at the bank.
- Daily summaries are given to Finance Department to make entries to Edmunds where there is limited access for entries made to record revenue.
- Grant expenditures are reviewed before reimbursement requests are made.
- The Tax Assessor makes assessment and determines exemption/abatements and enters codes through the Assessment Office. This information is then entered into Edmunds and billing is generated and mailed by Tax Collector's Office.
- The Tax Collector's office performs the billing function and follows up on delinquent collections.
- Monies collected and deposited in the bank are verified to the daily reports received from tax collectors office.
- The City receives Tax rates determined by the County Tax Assessor for municipal property tax billings.
- Miscellaneous cash receipts from outside departments are logged in a cash receipt book and included in the daily deposit.
- Cash receipts collected are validated by machine operated by cashiers and are automatically entered into the computer system. Cash receipts are reconciled at the end of

the day and reviewed by the Principal Cashier who prepares a deposit slip which agrees to the summary report and tape run.

- Total daily receipts collected through central Cashiering are given to the Finance Department on a daily basis where current year's collections are retained.
- After one year, supporting documentation is transferred into a storage room which is safeguarded in a vault.
- Overpayments from customers are kept in a separate account that is reviewed monthly by the Tax Collector as well as quarterly. The Tax Collector examines each account individually and City Council approves refunds by resolution.

Statutory and Regulatory Compliance Tested

Compliance tested in accordance with N.J.S. 40A:5-15 requires that all monies, including money collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either:

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository; or
- b. be deposited to the credit of the local unit in its designated legal depository.

Findings

During testing procedures performed and discussions with management, we noted the City of Camden's cash receipt process is not fully integrated with the City's general ledger. Although a daily and monthly report is created by the Tax Collection Office and the Department of Finance utilizing this information to post all receipts to the proper revenue code, the lack of integration between departments leads to inefficiencies and possible discrepancies.

- We recommend the City integrate the Tax Collection's cash receipt/revenue process within the City's general ledger in order to prevent inefficiencies and reduce the occurrence of errors.

Pursuant N.J.S. 40A:5-15 – during testing and procedures performed, not all receipts were deposited within 48 hours of receipt.

- We recommend that the City implement policies and procedures to ensure that all receipts collected are deposited within 48 hours. Due to the fact that the armored car collects daily, compliance with this statute should be adhered to by the City.

During our testing of cash receipts, it was evident that receipts collected are not consistently posted to the proper revenue account.

Recommendations

- The City should review general ledger detail, which should include but not be limited to cash receipts, on a monthly basis to verify all activity within each fund to be completely and accurately recorded.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the revenue and cash receipts process as medium.

GENERAL LEDGER MAINTENANCE

In order to efficiently plan and evaluate the maintenance of the general ledger, we assessed planning risk related to the general ledger function, gained an understanding of the Finance Department and the functions it performs related to the general ledger as well as all other Department's access and functionality related to the general ledger, identified and examined internal controls and compliance, performed testing as appropriate in order to test the controls in place relating to the general ledger, and developed recommendations based on the findings noted through the procedures we performed.

Summary of General Ledger Maintenance

The Bureau of the City Treasurer, under the direction of the Treasurer/CFO, reports to the Director of Finance. The general ledger is a part of the Treasury and Finance function; therefore no formal department structure exists; general ledger maintenance is included in the responsibilities of the Bureau of the City Treasurer and the Department of Finance. The municipal audit conducted for FY 2008 by the City's municipal auditor contained a disclaimer of opinion based primarily on material weaknesses identified in the general ledger function. These findings are stated in the Findings and Recommendations section for general ledger maintenance.

Functions

The functions related to general ledger maintenance include, but are not limited to:

- Reconcile all sub ledgers to the general ledger on a monthly basis for monthly close process as well as prepare and post year end closing entries.
- Reconcile tax revenues collected to tax receipts and summary reports from tax collector's office.
- Review reconciliations and month end closing entries as well as year end closing entries along with supporting documentation and year end reconciliations.
- Review general ledger accounts on a regular basis.
- Review open purchase orders and contracts to determine if any should be cancelled.
- Review report used in preparation of Unaudited Annual Financial Statement.

Sub-Processes Identified

During our testing, we identified several sub processes as part of the general ledger function, including the following:

- Record journal entries on a daily basis to record daily financial activity within the City.
- Prepare and generate reports to be used in preparation of Unaudited Annual Financial Statement and Annual Debt Statement.
- Prepare reconciliations of all bank accounts and reconcile them to the general ledger on monthly basis.

Controls Identified

During testing, we identified the following controls in place:

- All adjusting entries made to the general ledger are made by the Treasurer.
- General ledger activity is reviewed but not on regular basis.
- Subsidiary ledger reconciliations are prepared for some ledgers but not all.
- Trial balances are reviewed to determine that inter-fund accounts are in agreement.
- Bank reconciliations are reviewed by the treasurer.
- Reports are generated from the Edmunds system and are used to prepare the unaudited Annual Financial Statement and a copy is filed with the Division of Local Government Services after it is signed by City's independent auditors.
- All open purchase orders are reviewed by their respective departments with department heads along with individuals in accounts and control to determine if they should be cancelled.
- Tax proof is provided by the tax collector and is used to prepare year end closing entries.
- On a monthly basis, cash receipts are reconciled by the senior cashier in the tax department, reviewed by Assistant Tax Collector and then reviewed by Tax Collector.
- The majority of the journal entries made within the revenue, budget and accounts payable modules, flow through the general ledger automatically since the systems are integrated.

Findings and Recommendations

The FY 2008 municipal audit findings stated that although the City provided a general ledger for all funds for the fiscal year ended June 30, 2008, the general ledgers for the Current Fund, General Capital Fund, Water Utility Capital Fund, and Sewer Utility Operating Fund were not maintained in a format whereby financial statements and other financial information, without material misstatement, could be generated. Material audit adjusting journal entries and extensive analyses were required in order to reconcile the aforementioned general ledgers with supporting subsidiary records and documents.

In addition, all funds general ledgers contained many account balances which require the review of City officials for proper disposition. These account balances include inter fund receivable and payable balances which should be liquidated, aged accounts receivable and payable balances which had limited or no apparent activity during the fiscal year, improvement authorizations with funded and unfunded balances in which the projects are completed, aged unexpended grant appropriated reserve balances which had limited or no apparent activity during the fiscal year and the payroll deductions payable account balances did not materially match subsequent payments.

We were advised that the City made all the closing entries for the year ended June 30, 2008. The City was unable to provide us with supporting documentation for journal entries made at year end.

- We recommend the City keep supporting documentation for all journal entries made throughout the year to leave an audit trail.

- We recommend the City implement a monthly general ledger closing process which would assist in resolving any errors or discrepancies between departments and will also help efficiently close the general ledger at year end.
- We recommend the City reconcile all subsidiary ledger accounts, which will help the City, maintain adequate books and records with appropriate supporting documentation. It will also help the City reduce the number of year end adjusting entries made to the general ledger.
- We recommend that the City review general ledger detail on a monthly basis to verify that all activity within each fund has been accurately recorded.
- We recommend that the City maintain general ledgers in a format whereby financial statements and other financial information, without material misstatement, can be generated, that the general ledgers reconcile with supporting subsidiary records and documents, and that account balances recorded in the general ledgers be reviewed on a monthly basis for validity and proper disposition.
- We recommend that the City conduct a comprehensive training on the Edmunds system for all employees that are directly involved with the Edmunds system or general ledger. This training should be focused to address the utilization of Edmunds for both staff and upper management, including Supervisors and Directors. This training should minimize the errors caused by user inputs into the general ledger as well as maximize the functionality of the Edmunds capabilities.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the general ledger maintenance process as high.

BANKING AND INVESTMENT POLICIES

In order to efficiently plan and evaluate the operating performance of the banking and investment process, we performed the following procedures on banking and investment as well as identified the sub processes related to banking and investment process: we assessed planning risk; gained an understanding of the Bureau of City Treasurer and the functions it performs related to the banking and investment process; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to the banking and investment process; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Banking and Investment Policies

As required by N.J.S. 40A:5-14, the City shall adopt a cash management plan and shall deposit, or invest, or both deposit and invest, its funds pursuant to that plan. The City last adopted a cash management plan in 2001.

The Bureau of City Treasurer, under the direction of the Treasurer/Chief Financial Officer, reports to the Director of Finance. The Bureau of City Treasurer consists of the Treasurer/Chief Financial Officer and two Principal Account clerks.

Functions

The Bureau of City Treasurer has several functions which include, but are not limited to:

- Establishment of a formal Cash Management Plan.
- Production of monthly cash flow reports.
- Maximize interest earned on investment revenues.
- Development of a formal Policy and Procedure manual addressing cash receipt, cash disbursements, transfer of funds, cash reconciliations, record retention and daily operations within the Bureau of Treasury.
- Inventory and index official source documentation maintained by the Department of Finance.

Sub-Processes Identified

In addition to the banking and investment policy process, several sub processes were identified that relate to these functions, including the following:

- Cash receipts and disbursements
- Reconciliation and reporting
- Treasurer function

The following bullet points represent the central functions of the three sub processes identified:

Cash Receipts and Disbursements

- Process weekly disbursements for the Current Fund, Utility Funds, Grant Fund, Trust fund and Capital Fund.
- File corresponding payment vouchers by vendor.
- Process checks for welfare recipients.
- Receive cash receipts for refunds, grants, welfare SSI, and various inter local agreements.
- Prepare a receipt for items that can be deposited through central cashing.
- Process wire transfers for disbursement runs and payroll, including preparation of wire authorization form.
- Process stop-payment orders for the payroll, welfare, and City disbursement accounts.

Reconciliation and Reporting

- Reconciliation of 45 bank accounts.
- Preparation of monthly analysis report of account activity for payroll, general, water and sewer bank accounts.
- File cancelled checks and bank statements.
- Reconcile debit and credit memos on bank statements to wire transfer approval.
- Preparation of monthly account status report.

Treasurer Function

- Cash management/banking relations.
- Preparation and analysis of revenue report.
- Preparation and analysis of cash flow report.
- Preparation and analysis of cash flow projections.
- Preparation and analysis of grant status report.
- Chair of Budgetary committee for City Financial Plan.
- Participation of the Financial Review Board revenue sub-committee.
- Preparation of information and reports for Financial Review Board.
- Assist with City budget preparation.
- Oversight of daily treasury functions.
- Preparation of bi-weekly overtime report.
- Review of monthly reconciliations.

Controls and Processes Identified

During testing, we identified the following controls in place:

- Cash management plan specifies the type of investments that can be made.
- All bank reconciliations are prepared by account clerks and are reviewed by the treasurer.
- Access to Edmunds accounting system is restricted based on job specifications.
- All checks are cut through the treasurer's office, purchasing does not have access to cut checks and staff in treasurer's office have limited access to purchasing system such as running reports.
- All purchase orders are coded by the account clerks in the treasurer's office including filing of all paperwork.
- All cancelled or voided checks are maintained and logged by account clerks.
- Only three individuals; treasurer, director of finance and deputy director of finance have master access that would let them add, change or delete items in the Edmunds system with a special code to delete an item.
- All wire transfers require two out of the four authorized signatories. Mayor, Treasurer, Director of Finance and Business Administrator are authorized signatories. If one person is approving the transfer on a regular basis, bank will call the second individual who approved the transfer to confirm that transfer is legitimate. Wire transfers are initiated through a direct voucher and authorized through wire transfer authorization form which is sent over to the bank for the transfer to be released.
- All checks are signed by the Treasurer and Mayor.
- All debt payments are processed using the direct voucher which lets them keep track of all debt payments.
- Monies collected and deposited in the bank are verified to the daily reports received from tax collectors office.
- An armored truck picks up deposits on a daily basis to be deposited at the bank.
- Notification of Eligibility letters issued by the New Jersey Department of Banking and Insurance for each depository unit are obtained.

Statutory and Regulatory Compliance Tested

Cash Management plan adopted in accordance with N.J.S. 40A:5-14.

Compliance tested in accordance with N.J.S. 40A:5-14, which states that a local unit shall adopt a cash management plan and shall deposit, or invest, or both deposit and invest, its funds pursuant to that plan.

The Governmental Unit Deposit Protection Act (GUDPA) as specified in N.J.S.A. 17:9-41 et seq. and codified in NJAC 3:1-4.1, requires townships and municipalities to obtain "Notification of Eligibility" from the depository unit which ensures all depository units with whom the city has accounts with are certified by New Jersey Department of Banking and Insurance.

Findings and Recommendations

During the testing of controls, we noted that although bank reconciliations are reviewed by the Treasurer, there is no audit trail documented of the process to indicate a timely review has been performed. Per review of bank reconciliations, which were provided for testing for each requested month, it seemed evident that the reconciliations were not prepared in a timely manner.

The Third Party Lienholder account is maintained in the Tax Collector's office. This account is maintained off-line. Entries are made into a Quicken program and printouts are provided to the Treasurer's office where the information is entered into Edmunds by journal entries. The City Tax Collector is the single signatory on the account with the Assistant Tax Collector as the alternate signatory. Bank statements are sent directly to the Tax Collector's office and then forwarded to the Treasurer's office to be reconciled. The disbursements made from this account are not entered on the bill list presented to Council for approval as specified in the City Code. Also, a Legal Fees and Costs account is maintained by the City Attorney's office. This account is an imprest fund. The City Attorney is the single signatory. The bank statements are sent to the Treasurer's office to be reconciled. Other than performing bank reconciliations there is no oversight by the Treasurer's office over these two accounts.

Outstanding check lists for bank account reconciliations contain checks that were issued as early as 2000 and still remain on the list at June 30, 2008. The City Treasurer/CFO subsequently provided information to indicate that this issue was addressed in the June 30, 2009, reconciliation. For outstanding checks that relate to other departments, it is the responsibility of the Bureau of Treasury, which is the department that prepares the reconciliations, to clear reconciling items, including outstanding checks, on a timely basis.

While the City has passed a resolution each year for the approval of a cash management plan, it was noted that the City had not adopted a revised cash management plan since fiscal year 2001. The City provided the plan adopted on April 13, 2000. Also, there has been no formal request for proposal process implemented for the banking services.

We were also advised that cash flow analysis and projections were not made on a regular basis but were done on an as needed basis, which does not meet the requirement specified in the City's Cash Management Plan adopted on April 13, 2000.

- The Treasurer should sign off on all reconciliations along with the date to leave an audit trail of the review process.
- The City should prepare reconciliations for all bank accounts within a month following the month end to be able to manage their cash more efficiently and to effectively maximize internal controls over this process, while complying with their cash management plan.
- The City should review, as a part of the Treasury function, on an annual or semi-annual basis, outstanding checks older than 6 or 12 months for proper disposition or cancellation

- The need to maintain the Third Party Lienholder account and the Legal Fees and Costs accounts as off-line accounts should be reviewed. Bank statements and cancelled checks for the Third Party Lienholder account should be sent directly to the Treasurer's office. Disbursements from both accounts should be noted on the bill list prepared for Council. There should be more oversight on these accounts by the Treasurer's office.
- The city should adopt a cash management plan on an annual basis and comply with the policy and procedures specified in the plan.
- The City should periodically issue RFP's for banking services in order to obtain potential cost savings and more efficient banking services.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the banking and investment process as medium.

CAPITAL ORDINANCES

Summary of Capital Ordinances

As part of our procedures for Capital Ordinances, we conducted an interview with the City Treasurer/CFO to obtain an understanding of the processes and procedures in place relating to capital ordinances.

The City has an extensive six year capital improvements program which is described in detail in the annual City budget document. The total of capital improvements planned by all functions within the City amounted to \$823 million as stated in the 2008 budget.

Bond ordinances are adopted in accordance with the Local Bond Law statutes 40A-2 provisions.

Accordingly, the process begins with the introduction of the bond ordinance for reading only at a City Council meeting. The required supplemental debt statement is prepared by the CFO and filed with the Director of the Division of Local Government Services prior to adoption of the ordinance. The bond ordinance is introduced in writing and read at a Council meeting. The required publication of the ordinance in appropriate Camden area newspapers is completed and the required public hearings are held. The bond ordinance is finally adopted by the affirmative vote of at least 2/3 of the full membership of the City Council. In fiscal year 2008 there was only one bond ordinance introduced which was related to the \$3.4 million completion of the Gateway Sewer Relocation Project. The Council minutes document that the required readings, public hearings and adoption process was followed.

Controls and Processes Identified

The following are the significant controls relating to bond ordinances:

- The capital improvement budget controls all planned capital improvements.
- An annual debt statement is prepared and filed with the Division.
- A supplemental debt statement is prepared, approved, and filed with the Division prior to adoption of a bond ordinance.
- Bond ordinance is approved by City Council.
- Required introduction of bond ordinance is completed.
- Publication of ordinance in newspaper to ensure public notice.
- Public hearings are held.
- City council approves and adopts final bond ordinance.

Findings and Recommendations

The City financed via Bond Anticipation Notes (“BANS”) improvements for information technology infrastructure in the amount of \$1,750,000 on June 15, 2000. \$640,000 of these improvements has been paid down, leaving a balance of \$1,110,000. Pursuant to N.J.S.A. 40A:2-8.1(a)(2), all notes, including renewals shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the

original notes. Therefore, by November 1, 2010, the balance on this financing must be paid down or permanently financed. That leaves only two fiscal year budgets to plan for the retirement of that debt. The City does not have a coordinated approach to monitor and plan for retirement of debt.

Recommendations

- The City needs to develop and document a coordinated approach to monitoring and planning for the retirement of temporary debt. Input from bond counsel, the City Treasurer and financial advisors should be utilized in developing this plan.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the capital ordinances process as low.

TAX ABATEMENTS AND EXEMPTIONS

In order to efficiently plan and evaluate the operating performance of the tax abatement process, we performed the following procedures on tax abatements: we assessed planning risk; gained an understanding of the Bureau of Assessments and the functions it performs related to the tax abatement process; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to the tax abatements and exemptions; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Tax Abatements and Exemptions

In 1997, the City of Camden authorized enabling legislation to offer tax abatements on local real estate taxes for business development projects. The abatements currently exist as short term and long term abatements. The short term abatements program is intended for development projects in which, after project completion, the increase in assessed value to the improved property does not exceed 30%. The added assessment is phased in over a five-year period. The short-term abatement is on the improvement portion of the tax assessment. The assessed value of the land on which the improvement is made remains at 100%. The abatement agreement must be approved before the project starts.

For certain redevelopment projects, the city is authorized to enter into a long-term payment-in-lieu-of-tax (PILOT) agreement with qualifying developers. Pilot agreements can be up to 30 years. The amount of the pilot is based on a percentage of project income, or a percent of total project costs. Agreements are approved by the City before the project begins. The short-term, five-year abatement cannot be coupled with the long-term abatement program.

The City also offers tax exemptions, where in order to qualify for exemption, each organization must meet all of the below listed criteria in addition to specific application requirements; ownership, non-profit use, incorporation, application and proper documentation. Two initial statements must be filed per property.

- Ownership - The subject property must be owned by the eligible organization on the statutory assessing date – October 1 of the pre-tax year.
- Non-Profit Use – Neither the buildings, nor the land on which they are located, nor the organization owning the property may be operated for profit.
- Incorporation – The organization must be incorporated or otherwise organized under the laws of the State of New Jersey or any other state, and authorized to carry out the purposes for which the exemption is claimed.
- Application – The eligible organization must file an application for the exemption on forms provided by the municipality and in accordance with procedure.
- Copy of Deed in an organization or church name.
- Copy of Certificate of incorporation.

Once an Initial Statement has been approved a further statement (every third year) is required. The Tax Assessor's Office will send out a letter with two forms per property that are to be filed

with the Municipal Assessor. Any unfavorable determination made by the Tax Assessor may be appealed to the County Board of taxation annually on or before April 1. Initial Statements and Further Statements are due in by November 1 of the pre-tax year.

The Bureau of Assessments, under the direction of the Tax Assessor, reports to Chief Operating Officer and the City Council. The Bureau of Assessments is comprised of the Tax Assessor, Deputy Tax Assessor, Assessing Clerk, Senior Clerk Typist and Clerk.

Functions

The primary objectives of the Bureau of Assessments are to provide accurate assessments of real property for fair and equitable taxation and review the tax-exempt status of certain entities. In order to execute these objectives, the Bureau of Assessments has several functions which include, but are not limited to:

- Make assessment for granting of benefits for local improvements.
- Maintain adequate assessment records of each separate parcel of real property assessed/exempt.
- Establish and maintain files of assessed/exempt properties which include agreements for long-term contracts and 5 year contracts.
- Maintain a current tax map of the City as a public record and cause to be recorded all changes in ownership or character of the real property assessed.
- Receive requests for tax abatements and agreements, as well as assessment appeals, in accordance with the City's Administrative Code.

Sub-Processes Identified

In addition to the tax abatement process, several sub processes were identified that relate to the Bureau of Assessments including the following:

Residential property abatements

- Applies to new construction/renovations/urban renewal.
- Property owner files for abatement, Tax Assessor reviews and submits to City Council for resolution.
- Tax Collector performs billing based on input code in Edmunds entered into system from Tax Assessor's office.
- Two types of abatements and exemptions include:
 - Home Improvement Exemption – maximum exemption of \$15,000.
 - Residential Tax Abatement – In lieu of full property tax payments 0% - 80% of taxes with increments increasing 20% each year.

Commercial Properties/Developers' Exemptions and/or abatements:

- Amount of abatement/exemption varies by individual agreement.
- 5 year exemption/abatement.

- COLA (cost of living adjustments at 2%).
- \$15,000 maximum.
- PILOT and Long-Term contracts.
- Developer draws up plan/application and submits to City Council for approval.
- Council submits plan/application to “Long-Term Tax Exemption and Abatement Review Committee,” Committee Approves/Denies, approved by City Council.

Controls and Processes Identified

In performing testing procedures, we identified the following significant controls:

- Application must be filed by occupant within 30 days from the date of occupancy certificate.
- Exemptions/abatements are only granted once application has been approved by the Tax Assessor within 30 days.
- All abatements/exemptions must be input into the new book filed by January 10 of each year; any new tax abatements during the year must wait until the subsequent year to be granted abatement/exemption.
- Tax Assessor is authorized under state statute to grant exemptions/abatements.
- Long-Term Tax Abatement and Review Committee reviews all applications for long-term exemption and/or abatements in order to make recommendations to City Council as to whether the application should be approved or denied.
- All approved exemptions/abatements are filed with the Tax Assessor’s office and with the Office of the City Attorney.
- For each agreement, Tax Collector’s Office calculates billing amount and bills according to agreement (annually, quarterly).
- Tax Collector cannot input abatement amounts unless Tax Assessor’s Office inputs abatement.

Compliance tested in accordance with N.J.S. 40A:21-11 which states time limitation for tax agreement; projects subject to regulations and copies to be provided to division.

Findings and Recommendations

Per 40A:21-11- within 30 days after the execution of a tax agreement, the municipality is required to forward a copy of agreement to the DLGS.

For those properties that fall under 40A:20-1, Long Term Tax Exemption Law, a report must be filed with the Division annually, listing the total amount of real property taxes exempted and the total amount abated in the current tax year. The City could not provide a copy of the annual report.

For PILOT agreements for commercial and residential/rental units, the Tax Assessor should annually determine the status of each unit at October 1 of the pretax year and the substantial completion and the appropriate sales/offering price - this list should be reviewed and updated

annually and maintained by the Law Department, Tax Collection's Office and Tax Assessor's Office.

During testing, we requested 16 PILOT agreements, totaling approximately \$1.2M, and obtained and tested the supporting documentation related to the agreements and the receipts collected. The City was unable to locate a NJ Transit Corporation PILOT agreement; however the City did make annual collections of \$113K from NJ Transit Corp. Currently, no reconciliation is being performed between abated property and actual tax billings.

- We recommend that on an annual basis, the comprehensive list of abated properties should be reconciled to the tax billings. This will prevent discrepancies from billings to what should be collected per the PILOT agreement. Also, someone independent of the Tax Assessor's office should review the reconciliations and verify the accuracy of tax abatements calculated and if they reconcile with the actual tax billings appropriately.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined our level of risk assessed related to internal control, compliance and overall functionality of the tax abatement process as medium.

TRUST FUNDS

In order to efficiently plan and evaluate the operating performance of the trust funds, we performed the following procedures related to the trust funds: we assessed planning risk; gained an understanding of the Bureau of the City Treasurer and the functions it performs related to the trust funds; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to the trust funds; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Trust Funds

The City accounts for certain financial transactions through the use of separate funds which include Trust Funds. The various trust funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each fund was created.

The Bureau of the City Treasurer, under the direction of the Treasurer/CFO, reports to the Director of Finance. Trust funds are a part of the Treasury function; therefore no formal department structure exists; trust fund activities are included in the responsibilities of the Bureau of the City Treasurer.

Functions

The functions of the Bureau of the City Treasurer relates to cash management, activities related to receipts and disbursements, functions related to reconciliation and reporting and treasury functions. Additionally, the Bureau of the City Treasurer also maintains and monitors the activities related to the trust funds which include, but are not limited to:

- Establish Trust Funds for dedicated revenues anticipated during the year which include items stipulated in the statutes which are not subject to reasonable estimation in advance.
- Include Funds in the annual budget by annexing to the budget a statement listing such sources of revenue by source.
- Dedicated revenues anticipated shall be available for expenditure by the municipality when received in cash during the fiscal year.
- Obtained prior written approval from Director of the DLGS for inclusion in the annual budget of such dedicated revenues.

Sub-Processes Identified

The trust funds are a functionality of the Bureau of the City Treasurer and therefore, are itself a sub-process. However, for purposes of the RFQ, we will examine Trust Funds as its own process. No sub-processes within the Trust Funds were identified.

Controls Identified

In performing testing procedures, we identified the following significant controls:

- A resolution approved by City Council is required prior to requesting approval from DLGS to establish a dedicated by rider.
- The annual City budget contains a listing of approved dedicated by rider revenues.
- Disbursements from the trust fund accounts are approved by the City Treasurer/CFO.
- The trust fund bank reconciliations are prepared monthly and reviewed by the Treasurer/CFO.
- Cash is received for the specific purpose of the trust and is available for disbursement from the trust account.

Statutory and Regulatory Compliance Tested

Funds are “Dedication by Rider” in accordance with N.J.S.40A:4-39.

As a part of cash disbursement testing, disbursements were examined to determine that disbursements were coded to the proper trust fund.

Findings and Recommendations

Trust funds per financial statements list over 30 Trust Funds denoted as miscellaneous trust funds, however as per review of budget (pg. 38 in FY08 amended budget), approximately 10 appear as Dedicated by Rider - all trust funds dedicated by Rider should be specified in the budget in accordance with N.J.S. 40A:40-39.

- We recommend that the City of Camden should adopt a resolution to obtain official rider dedication for all applicable trust fund reserves.
- We also recommend the City review its trust fund reserves for applicability and either cancels inactive reserves or adopts a resolution and request an approval from the State, in order to obtain a rider dedication for applicable reserves that have been determined as spending reserves.
- Additionally, we recommend that monthly reconciliations for trust funds should have signature of preparer and date of reconciliation performed as well as signature of reviewer and date to evidence that trust funds reconciliations are prepared and reviewed timely.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined our level of risk assessed related to internal control, compliance and overall functionality of the trust funds process as medium.

GRANT ACCOUNTING

In order to efficiently plan and evaluate the operating performance of the grant process we performed the following procedures on grants and the sub processes we identified that relate to grant accounting: we assessed planning risk; gained an understanding of the Bureau of Grants Management and the functions it performs related to grants; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to the grants; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Grant Accounting

The Bureau of Grants Management (“BGM”) was created to act as the lead agency with authority over grant applications and awards, contracting, purchasing, receipts and the disbursement of funds relating to all grants in the City of Camden.

The BGM releases an annual Request for Proposals for funds available through the Community Development Block Grant Program, HOME Investment Partnership Program and Emergency Shelter Grant Program. The process begins with the holding of an annual Grant Funding Seminar. The seminar provides valuable information on how agencies and organizations that service the citizens of Camden, can access the grant funds.

Projects selected for funding each year are incorporated into the City’s Annual Consolidated Plan. Once the funding plan has been developed, a public meeting is held to solicit comments from the public on the plan. Other public meetings are held throughout the year concerning amendments to the Consolidated Plan.

The BGM, under the direction of the Executive Assistant, reports to Director of Finance. The BGM is comprised of the Executive Assistant, Sr. Program Monitor, Supervising Data Central Clerk, two Program Monitors and a Data Control Clerk.

Functions

The primary objectives of the BGM are to review and reconcile grant funds received and reserves, streamline processing of payments to sub recipients, ensure compliance with all requirements of the US Department of Housing and Urban Development and other grant sources, aggressively seek new grants, and to provide needed services and improve the quality of life in Camden. In order to execute these objectives, the BGM has several functions which include, but are not limited to:

- Grant oversight for all Federal, State and other Grants.
- Maintenance of centralized grant files and funded projects.
- Establish and maintain grant policies and procedures.
- In conjunction with Division of Planning and Development, coordinate preparation of the Annual Consolidated Plan.

- Review proposals to ensure technical merit, budgetary accuracy, and compliance with policies, State/Federal regulations and grantor regulations.
- Coordinate details of proposal submissions with Departments.
- Administer citizen participation with regard to HUD grants.
- Disseminate information on grant opportunities throughout the City.
- Monitoring of sub recipients for grant compliance.
- Monitor project budgets to ensure that all projected funds are expended according to grantors policies and regulations.
- Monitor legislation and appropriations that impact grant programs.
- Review and approve grant disbursements.
- Supervise completion and submission of progress and financial reports on funded projects.
- Obtain approvals from top city officials.
- Provide technical assistance related to grants.

Sub-Processes Identified

In addition to the grant management process, several sub processes were identified that relate to the grant accounting and the grant process including the following:

- Entitlement Grants
- Non-Entitlement Grants
- Grant Budget Insertion Process – creates spending authority and appropriation
- Purchase Requisitions involving grants
- Grant reporting
- On-line grant procedures

Entitlement Grants

The City Departments and agencies are awarded funding through the City’s Annual Consolidated Plan. The requesting Departments are notified through e-mail by the Bureau of Grants Management of their funding. The Mayor notifies all Agencies of their award by letter. Pre-Award meetings are scheduled with BGM, recipient department and/or awarded agency in order to discuss program and financial administration. BGM prepares a Request for Council Action for a Contract Resolution which is given to the BA’s office for final approval. BGM forwards the Request for Council Action to the Department of Finance for review, approval and placement on the City Council Agenda. City Council approves the resolution to award the grant.

Non-Entitlement Grants

The BGM, in conjunction with the initiating department, is fully responsible for assisting in the facilitation of the Application Process: BGM will notify requesting departments of grant application opportunities (NOFA’s) or the requesting Department is apprised through another means and notifies BGM of its intention to apply for a grant.

If a cash match is required for application, prior approval of an appropriation must be given by the Business Administrator and Finance Director before application can be submitted to a funding source. The requesting Department writes application for grant and submits to BGM for review and approval before submission to grantor agency. The BGM reviews applications for content, relative to pertinent regulations, budgetary commitment and forwards to the Business Administrator with any recommendations in order to receive approval. BA approves application and initiates Request for Council Action. City Council authorizes the submission of the application for grant funds. Respective department forwards application to grantor agency.

Grant Budget Insertion Process

A determination is made between the Finance Director, Bureau of Grants Management and the requesting Department whether the following is necessary:

- 1) Insertion into temporary budget as a “temporary emergency appropriation”;
- 2) Insertion into the permanent budget;
- 3) Chapter 159 Resolution – an amendment to the permanent budget if a budget had been previously adopted. Based on determined option, department prepares Request for Council Action and forwards to BGM for approval. The request should include a grant summary form and award letter and/or approved application from the funder. BGM and the Finance Director approve the Request for Council Action and forward it to the Business Administrator. The Business Administrator gives final review and approvals and places the Request on the Council Agenda. City Council approves resolution. Finance posts funds to the MCS program and creates budget appropriation.

Purchase Requisitions involving grants

The requesting Department prepares a purchase requisition obtaining a budget appropriation code from the Finance Department where all pertinent supporting documentation must be attached. A Sub recipient Agreement, Vendor Purchase or Contract is determined by the dollar value of the requisition request. If this is a sub recipient agreement or contract, this requisition will be processed at the same time that a contract resolution is requested by council. Requisitions less than \$1,000.00 are sent to the Finance Department’s Grant Person, with all the necessary grant attachments. Finance pre-audits requisition for grant compliance with BGM’s assistance and sign-off. Finance forwards the requisition to Purchasing for processing and assignment of a Purchase Order number. Purchasing returns the documents to Finance for final processing.

If a requisition is greater than \$1,000.00 but less than \$12,300 and is a Vendor Purchase the requisition is sent from the requesting Department to the Finance Grant Person, with all documentation and quote requirements. Finance Grant Person pre-audits requisition for grant compliance with BGM assistance and sign-off. The Purchasing Review Committee reviews request for appropriateness and is forwarded to Purchasing for further processing. Purchasing assigns a purchase order number and forwards to Finance. Finance Department then processes the purchase order.

If request is a Sub Recipient or Vendor Contract the following procedure is utilized:

The requesting Department develops Scope of Services and other documentation and forwards to Law Department for preparation of specifications, with assistance from BGM. Purchasing receives the completed package from the Law Department and processes the contract request by assigning a purchase order number to the requisition and forwards it to Finance for further processing. Finance processes the purchase order and encumbers the funds. The Certification of Availability of Funds is attached and returned to Purchasing. Purchasing prepares Request for Council Action (contract resolution) and sends the completed package to the Bureau of Grants Management for forwarding to the Assistant Business Administrator's Office for approvals. BA's Office reviews, gives final approval and places request on Council Agenda. City Council approves Resolution awarding the contract. In conjunction with the Bureau of Grants Management, the Law Department prepares the contract. Once an executed contract is received by the Law Department, the Vendor/Sub recipient is given formal "Notice to Proceed" from the Bureau of Grants Management. Successful Vendor/Sub Recipient must provide Affirmative Action Documentation prior to City Council approval of the contract.

Grant Reporting

Timelines for programmatic and fiscal reporting will be developed according to the funding sources regulatory requirements and adhere to the following process:

The requesting Department administering the grant will collect the programmatic and financial data relative to the project and complete the required grantor reporting forms. This documentation will then be forwarded to the Bureau of Grants Management for review and compilation in accordance with the Grantor Agency's required reporting format. The reports will not be filed if programmatic, financial records do not match Finance Department's records. A reconciliation will be completed by the requesting Department's Grant Administrator and audited by BGM. The report is then forwarded to the Director of Finance for review and sign-off and returned to BGM. BGM returns the authorized report to the administering department. The administering department submits the report to the Grantor.

On-line grant procedures

All City Departments, Divisions, and Bureaus must notify the Bureau of Grants Management of all on-line applications for funding in advance of their submission to the respective funding source. All grants acquired on-line must adhere to the same guidelines identified in the Managing the Proposal Process, Grant Award Process, Grant Budget Insertion, Purchase Requisitions Involving Grants and Grant Reporting Process sections of this Procedural Manual.

The reporting security code will be shared by the City's Finance Department for fiscal reporting purposes.

Controls Identified

In performing testing procedures, we identified the following significant controls:

Entitlement Grants

- The consolidated plan is generated by BGM and Development and Planning, reviewed by the public, reviewed by the Executive Review Board with proposed changes to ensure the process is followed.
- BG prepares a Request for Council Action including contract data agreement, budget and requisition encumbering grant and gives to Finance and BA's office for review and approval.
- City Council approves a resolution to award the grant.

Non-Entitlement Grants

- When a matching requirement is applicable, prior approval from the Business Administrator (BA) and Finance Director is required before submission of the application to the funding source.
- A department's submission of grant application is first reviewed and approved by the BGM, reviewed and approved by Business Administrator and lastly to City Council for authorization of the application.
- The City Council passes a resolution to give the BGM permission to submit an application on behalf of the City.

Purchase Requisitions

- Requisitions less than \$1,000 are pre-audited, reviewed and approved by the BGM and then reviewed and approved by the Finance Director for grant compliance.
- A pre-numbered purchase order is assigned by purchasing, while the purchase order is assigned and approved by the purchasing department.
- Requests for draw downs are submitted to, reviewed by and approved by the BGM and Finance -2 signatures are required.
- Only 2 staff persons in BGM have password protect access to IDIS system for editing.
- Weekly reconciliation of Department of Housing and Urban Development information system and the Edmunds system.
- Mandatory trainings in place for compliance and regulations.
- 48 hours to expend funds disbursed by the Department.
- The Treasury Department is the only authorized signer on checks.

Statutory and Regulatory Compliance Tested

Required reports must be filed with grantors.

Findings and Recommendations

During testing, we noted that documentation and procedures that were noted in the grant policy manual were not followed or were not applicable.

- We recommend that the policy be fully implemented and distributed to all employees so that all persons in the BGM are familiar with the policy. This will also help in streamlining the documentation of each grant file in order to establish consistency of the grant files and processing of grant documentation. It is evident that each grant is different and therefore the documentation will vary per grant file, however as detailed by the BGM Manual, the policy in place addresses the various types of grants and therefore, if the BGM adheres to the policy then the grant files should be consistent.

There are various grant receivables that may not be collectable due to inadequate monitoring of individual grant balances. This results in an overstatement of the grants receivable and reserve balances. There is also a significant amount of old grant receivables. Each individual grant received should be evaluated annually to determine collectability and adjusted accordingly. Improved monitoring of individual grant balances could result in improved cash flow and surplus position.

- We recommend that based on the information provided by each city department, an electronic schedule of each grant should be maintained to evaluate collectability of grants annually. In addition, grants receivable should be monitored not less than annually to determine current status. Any grant receivables deemed uncollectable should be removed by resolution.

Additionally, when performing grant testing, it was evident that documents were not retained in one central location.

- Although BGM was able to locate the applicable documentation, we recommend that documentation for each grant be maintained in one location. Each grant file should include *all* documentation pertaining to the grant from the initiation, resolution, awarding, reporting and monitoring of the grants.

During our testing procedures performed, it is evident that there are a few grants receivable and reserve accounts that have been outstanding for several years and that are of questionable value.

- We recommend, that on an annual basis, with cooperation from the Department receiving the grant monies, that the BGM Executive Assistant supply the Finance Department with a listing of grants on which the City will not be able to collect the receivable balance or will not have to pay the remaining payable balance.
- We also recommend that the appropriate journal entries be recorded by the City on an annual basis to reconcile these accounts to their correct balances.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the grant accounting process as high.

INVENTORY AND FIXED ASSETS

In fiscal year 2008 City had an outside firm come in to conduct a physical inventory of City assets and prepare a summary. The City has been maintaining a record of all the fixed assets added and retired since then. An employee in accounts and control department has responsibility to track additions and deletions to the system. The Edmunds accounting system is used to manage the inventory. The City follows the State of New Jersey's capitalization policy of recording items over \$5,000. Edmunds has a control built within the system whereby when a payment for a fixed asset is made; the system will prompt a notification if the item is above \$5,000. This assists the City in tracking additions to the fixed asset inventory. All the deletions must be approved by the City Council for disposal, which upon approval are removed from the Edmunds system. The City is in compliance with N.J.A.C. 5:30-5-6 and New Jersey Technical Directive #85-2 which requires townships and municipalities to maintain a fixed asset account group and update it on regular basis.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the inventory and fixed assets as low.

INFORMATION TECHNOLOGY

Facility Impact Assessment

As part of a performance audit conducted by Mercadien PC of the City of Camden, a high level impact assessment was performed at City Hall at 520 Market Street. This process included both on and off-site reviews of the location, its current physical and functional elements, proximity to hazards, network infrastructure, security and resiliency.

Specifically, Ms. Christine Tucker, City Business Administrator, was interviewed regarding policies and procedures, building usage, issues of concern, past events and emergency procedures. Mr. Archie Williams, Director of Information Technology was also interviewed regarding IT systems and protections. The building was toured extensively, the exterior and immediate surroundings surveyed and a detailed on-site examination of network hardware conducted. Off-site research of the area was also completed.

Findings

The structure is an eighteen-story; masonry building that was constructed in 1928. It is located on a main street with a high volume of two-way traffic. The immediate area includes a mix of other municipal buildings and commercial construction, nearly all of older vintage. The east side of the structure is at street level, while the west side is elevated from the street by a series of stone steps. Though not in a formally designated high risk flood zone, the property is surrounded by them and is likely to be isolated by flood in a 340 degree perimeter as shown below.



Normal View



Flooded View

The area around the facility includes numerous toxic waste generators, handlers, and superfund sites as depicted in the map below. EPA documented discharges to water and air has occurred in the past and is likely in the future.



- ENVIRONMENTAL
- EPA Air Releases
- EPA Brownfields Pilots
- EPA Discharges to Water
- EPA Hazardous Waste Generators
- EPA Hazardous Waste Handlers
- EPA Superfund Sites
- EPA Toxic Releases

Environmental Hazards

The building has undergone numerous renovations over the years and has a mix of forced air, electric baseboard and radiator heat. The main entrance on the western side is off a private, authorized only, side street.



Camden City Hall (left) - West Side

While vehicles can drive or park close to the structure, there are no cantilevered levels or large plate glass windows.



City Hall houses most city offices including the comptroller, tax collector and the Mayor. Public works, public safety and the city clerk's office are there as well. Being a public building, nearly all areas are freely accessible once visitors have passed lobby security.



Camden City Hall - East Side

Both east and west entrances are staffed 24/7 by uniformed security officers and an information desk. Visitors must pass through a metal detector and bags pass through an x-ray machine. Though individual offices may close, the building is always open. Fire or evacuation drills are periodically conducted.



The building is owned by Camden County and the City is one of its tenants. Offices are spread throughout the building. The facility lies within the flight path for Philadelphia International Airport and is surrounded by several major highways and the Ben Franklin Bridge. Some areas have sprinklers for fire suppression, while others do not. Security cameras are in use on the first floor. City Hall does have a generator located in the sub-basement. It is said to be tested three times per year, but no logs were in evidence. Access to this area was unlocked and unguarded. At this sub-level, the generator is vulnerable to flooding.



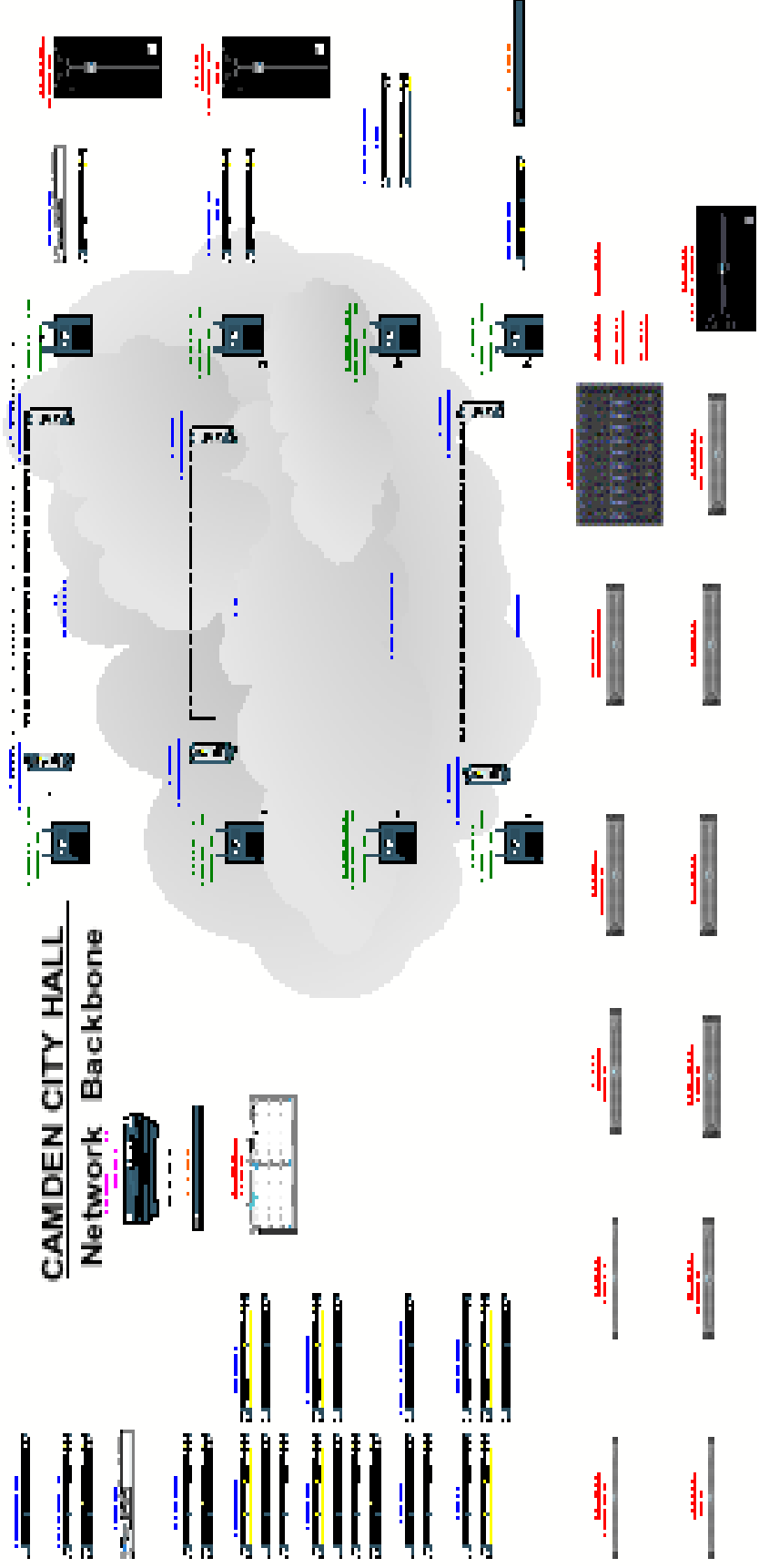
Generator

The City maintains a continuity of operations and emergency response plan modeled on the National Incident Management System. Its component elements were last updated in 2006 and are scheduled to be revised in 2011. The revision update is far too long and should be reduced to one year. Presently, authorized copies are maintained within City Hall and may be inaccessible during a significant event. Responsible personnel should keep copies with them at all times on jump drives.

Two tabletop exercises have been completed within the last two years and one full scale, multi-agency, simulation is conducted each year (though these focus on city response rather than the building's functionality).

Information Technology

Approximately 439 Dell desktop computers and four laptops running Windows XP (see attached inventory) are in use and the City has its own IT support staff on site. Data back-up is accomplished through the use of magnetic tape. Intermittent back-ups are performed daily and full weekly back-ups are stored at one of three other city locations. Data restoration is conducted as necessary. Tapes are replaced every 18 months. No penetration testing is performed.

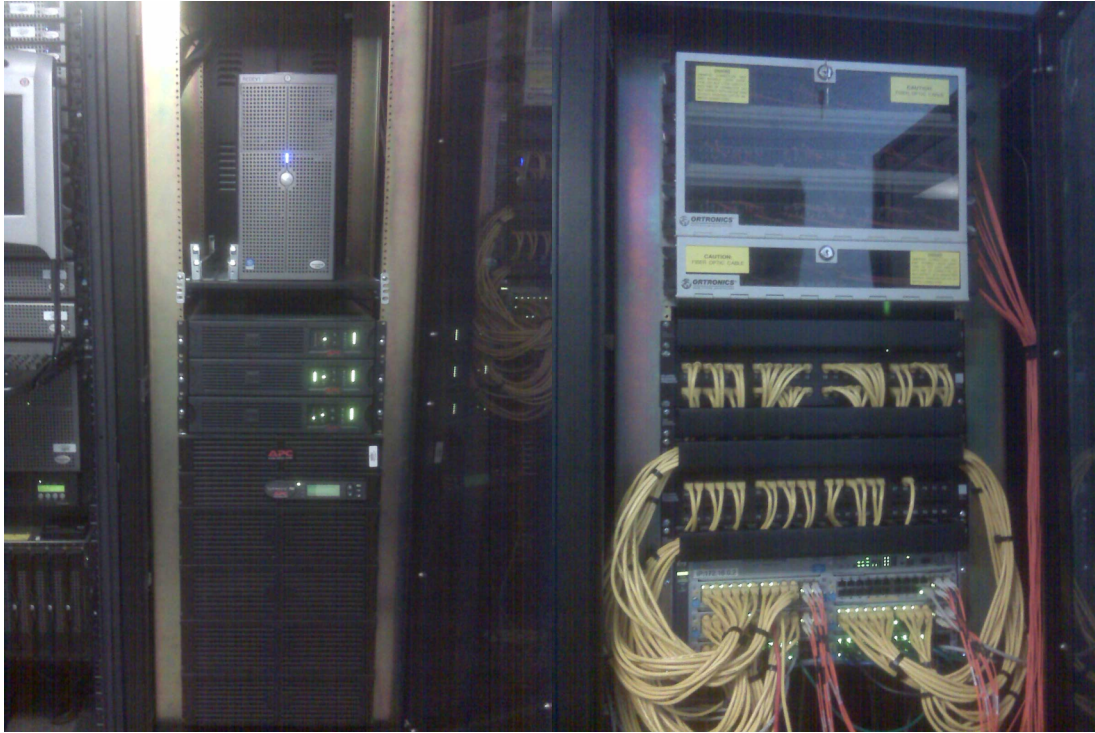


The Data Center is a locked room with a dedicated air conditioning system. The system appeared to be operating correctly, but the temperature was set to 72°, presumably in deference to the two employees whose workstations share the space. Ideally, the thermostat should be at least 4-6 degrees lower for proper cooling of the equipment. The equipment is relatively new and well maintained, but the room includes a closet containing a work sink that catches an open discharge of water from one or more HVAC units. At the time of our visits a forceful flow of water was being sprayed into the sink. A significant flood event would quickly ensue if this drain was to become obstructed or the pipes or hoses fail. The area showed signs of previous overflows.

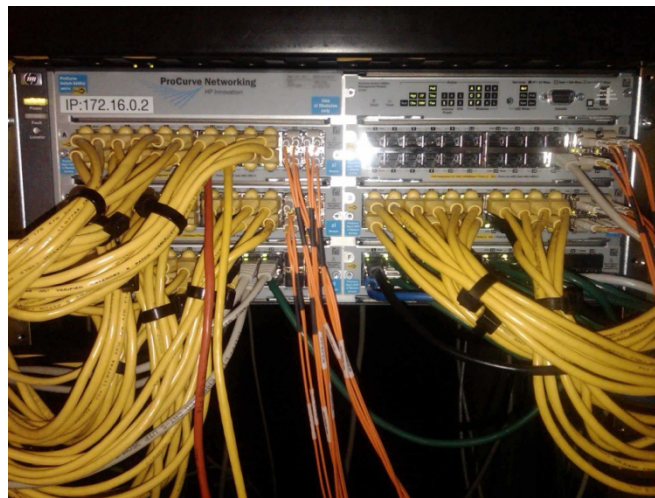


Work Sink with A/C Discharge

The equipment is rack mounted and the wiring was routed and tied neatly. The battery backup system (APC Symmetra) was mounted in its own rack with the exception of one tower server on top. The HP Core Switch and the patch panel were in their own rack and the cabling was neatly routed and tied.



Battery Back-Up, Tower Server and Patch Panel



Pro-Curve Core Switch

The terminal server is setup to allow access from the outside without any type of SSL VPN connection. This is configured as a straight NAT from an external IP address thru the firewall to a server's internal IP address on the network.

Upon testing, (remotely from Mercadien's office) it was possible to open an RDP client, type in IP 208.84.253.246 and go straight to a login screen on the terminal server. Using administrator credentials we were able to login in to the network. Because of this site to site connection an

intruder could gain access to not only the local LAN but to also the Police, Fire, Public Works and the community center LANs as well.

There are currently two tape backup methods being used to backup data on the network. A Dell Power Vault PVTL2000 performs a backup of data on the SAN and major data on the network servers. This is approximately 1.2TB during a full backup. There is also a Dell Power Vault PV122T that performs a backup of less important data on the network servers totaling approximately 70GB during a full backup.

12 IDF boxes are located in different locations on several floors throughout the building. All boxes contain Cisco 2950 switches configured identically, with the exception of the training room which has an HP pro-curve switch.

Most of the boxes are in open work areas or offices, raising security concerns. None of the IDF's are locked making them easily accessible and subject to tampering or damage.

There are a total of 16 servers in the City Hall server room. There are also 2 additional servers in remote locations.



Data Center Servers

The City of Camden uses a WSUS server for patch management on all workstations. The servers themselves are not part of the WSUS community and must be updated manually. Alerts advise administrators that updates are available for download. Administrators must then find, download and install each update or patch manually.

A Cisco ASA 5510 firewall is in use and at least two power lines feed the building. Evacuation maps are posted on each floor, though they appear to require updating.

Recommendations

Life Safety

1. Conduct a gap analysis to identify opportunities and vulnerabilities in existing plans.
2. Revise and update the Emergency Response Plan to cover evacuations, shelter-in-place, fire, bomb threat, medical emergency and other crisis situations.
3. Conduct training and drills in the above at least twice per year.
4. Revise floor maps and post them throughout each floor.
5. Routinely test and, if necessary, replace emergency lighting.

IT

1. Conduct a gap analysis to identify opportunities and vulnerabilities in existing plans.
2. Implement a SSL VPN solution to better protect the network from intruders/hackers, while also protecting the end users credentials. Users should be securely authenticating through a SSL VPN connection and then establishing a connection to the server.
3. Subscribe to a hosted continuous data protection solution for automatic off-site back-up. In addition to being much more reliable, this method eliminates administrative maintenance (and associated costs) as well as human error (wrong tape inserted, forgot to change tape, etc.).
4. Subscribe to a network monitoring/managed services provider for live support and network maintenance. Select a service that uses a patch approval process which eliminates unnecessary patches from being installed on workstations and servers. This would also eliminate the need to run a WSUS server which will, in turn, free up space and resources in the environment. Patch management would become automated, improving reliability and further reducing overhead.

Ideally, the service should offer:

- 24 X 7 Monitoring
- Technology Asset Inventory
- Live assistance
- Alerting / Notification
- Complete Patch Management
- Virus Protection Monitoring
- Monthly Management Report
- Security Log Monitoring
- Application Log Monitoring
- Network Bandwidth Usage
- Dedicated Systems Analyst

Technical Support

- Help Desk Support
 - Remote Control Shadow Sessions
 - Hardware/Software Change Notification
 - Onsite Assistance
 - Continuous-Data-Protection (CDP) Tapeless Backup
 - Endpoint Security
 - Emergency Imaging Restore
 - Email/Content Management
5. Lock all IDF boxes.
 6. Move existing servers into a virtual environment. By moving to a virtual environment the City would significantly reduce its carbon footprint, save space in the server room and drastically reduce power consumption. Maintenance, support and hardware could be significantly reduced as well.
 7. Survey and remove unauthorized software.
 8. Secure the Data Center from water sources.
 9. Remove, re-route or retro-fit the water discharge into a closed system.
 10. Maintain the temperature in the Data Center at 68° or lower.
 11. Install temperature monitoring with remote alarm/alert functions for Data Center.

General

1. Tabletop exercises that focus on the facility should be conducted twice per year.
2. Revise the impact assessment to identify and document hazards and exposures.
3. Retrofitting of a sprinkler system in all areas, though preferred, is likely not practical, so additional fire extinguishers, fire drills, fire wardens and training should be added.
4. Secure all facility maintenance areas.
5. Copies of the response plan should be carried on jump drives by key personnel and copies of the plan should be stored off-site at their homes.

Conclusion

The City of Camden has taken strong steps to secure City Hall from a variety of risks to employees, visitors, the Network, the structure itself and the community that depends on the services provided from within. Measures include a continuity of operations plan, facility security, building construction and Network management. Significant exposures that remain stem from both man-made and natural perils including weather hazards, equipment and utility outages, area flooding and Network hardware and software failures. EPA designated and other toxic sites in the area pose a significant risk in the event of large scale flooding, as does the flooding itself. The possibility of access and egress being severely limited due to a major water event is a high probability.

All of these issues can be addressed and their associated exposures further mitigated with appropriate action. While it is impossible to eliminate all risks faced at a location, both the severity and frequency of adverse events can be significantly reduced, health and safety preserved, damage limited and the provision of municipal services maintained.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined the level of risk assessed related to internal control, compliance and overall functionality of the information and technology operations as medium.

RISK MANAGEMENT

In order to efficiently plan and evaluate the operating performance of the risk management process, we performed the following procedures on the risk management process as well as the sub processes identified: We assessed planning risk; gained an understanding of the Office of Risk Management and the functions it performs related to risk management; performed a walkthrough of the sub processes; identified and examined internal controls and compliance; performed testing as appropriate in order to test the controls in place relating to risk management; and developed recommendations based on the findings noted through the procedures we performed.

Summary of Risk Management

The Office of Risk Management, under the direction of the Risk Manager, reports to the Office of the City Attorney.

Functions

The primary objectives of the Office of Risk Management is to advise the City Attorney of the existence of casualty risks that might result in legal action against the City, act as an adjunct to the operation of the City's self insurance programs, investigate the facts and circumstances to determine the scope of damages caused or suffered by the City. The Office also advises the Business Administrator and Insurance Commission regarding the purchase of insurance coverage.

Sub-Processes Identified

During our testing, we identified several sub processes as part of the risk management function, including the following:

- Oversee the treatment of injured employees who may potentially file Workers' Compensation claims.
- Investigate Notices of Claims for tort litigation.
- Oversee the State Temporary Disability Program.
- Process payment and review bills for medical treatment.
- Coordinate and obtain insurance coverage.
- Enforce PEOSHA and ADA compliance.
- Maintain confidential medical documentation.

Findings and Recommendations

General Liability

The City engages a broker through the RFP process to manage the insurance processes. This RFP is issued every year and only one firm ever submits a proposal. This broker, Commerce Banc Insurance Services, now does business as Conner Strong. The City is self insured for liabilities of

\$300,000 or less. An excess policy for up to \$10,000,000 aggregate is also in place. The City does not maintain a risk management plan which summarizes their approach to each area of risk. There are no written policies and procedures. The asset listing utilized is an historical listing that is updated annually. The Risk Manager was unaware who generated this listing.

Workers' Compensation

The City engaged a third party administrator for workers' compensation through the RFP process. SCIBAL Associates handles claims, investigates abuses, coordinates treatment for claimants and provides management reports. The City is self insured for claims of \$650,000 and below. A Request for Quotations was issued for occupational health services, specialists such as orthopedists and neurologists and physical therapists. An RFP was issued for legal defense of workers' compensation claims. A professional services contract exists with Cooper Hospital for the Employee Advisory Program. A stress management program for the Police Department, called "Cop to Cop" was initiated. This allowed the City to move these cases out from under workers' compensation. The Risk Manager states that while the number of claims is down, the costs are up. Workers' compensation costs are significant, approximately \$3,000,000. The number of employees on Injured on Duty ("IOD") status at any given time is approximately 50. The City policy is to allow a maximum of one year in IOD status for uniformed employees and ninety days for non uniformed employees. According to a report issued by the Brookings Institute, the NJ Department of Treasury has recommended reducing the amount of the Workers' Compensation deductible from \$650,000 to \$300,000.

- In order to control costs associated with Workers Compensation, the City should consider reducing the maximum time allowed for employees to be out on paid leave under the Injured on Duty ("IOD") policy. A reduction in the one year time frame combined with a more effective use of the light duty provisions in the bargaining agreements could significantly reduce these costs.
- A risk management plan should be developed which outlines a comprehensive approach to risk management.
- The City should evaluate the impact of the recommendation by Treasury to reduce the Workers' Compensation deductible.

Internal Control Risk Assessment

Through inquiry and procedures performed, we have determined our level of risk assessed related to internal control, compliance and overall functionality of the risk management process as medium.

ADDITIONAL PROCEDURES PERFORMED

Payroll Distribution Audit

A payroll distribution audit was performed over several pay periods to accommodate the large number of employees. Employees were required to provide picture identification in the form of their employee ID card or motor vehicle license and to sign for their check. The first payroll distribution was conducted for the payroll paid on April 30, 2009. This distribution addressed those employees who worked within the city hall complex and employees working out of the Department of Public Works. Checks that were not distributed were returned to the payroll supervisor to hold until the employee came to pick up their check. These remaining checks were distributed over the next two pay periods. Only one employee in this group did not sign and show identification for their check. This employee was a part-time attorney for the Zoning Board. The second payroll distribution was conducted for the payroll paid on May 14, 2009 and addressed the police and fire personnel. All fire personnel except for ten employees signed for their checks. Police personnel who worked the more unconventional shift times and employees out on Injured on Duty (IOD) status did not sign for their checks.

Alternate procedures were developed to verify existence for those employees not covered in the payroll distribution. Timesheets and personnel files were examined for the Zoning Board attorney, all fire personnel and a sample of police personnel. The Zoning Board attorney did not complete a timesheet. This position does not appear to be an employee function, but more as an independent contractor. We were able to satisfy ourselves as to existence for the other employees tested.

Recommendations

- The Zoning Board attorney position should be abolished and the function contracted out in accordance with Local Public Contracts Law.

Professional Services, Extraordinary Unspecifiable Services and Competitive Contracting

We performed a statutory and regulatory compliance review of all (100%) professional services, competitive contracting and extraordinary unspecifiable service contracts. We tested to determine that each contract was supported by a resolution, a written executed contract, and a certification of availability of funds. We tested to determine that advertising requirements adhered to statute. The nature of each contract was examined to determine that the procurement process reflected the proper method as required by Local Public Contracts Law.

Twenty nine professional service contracts were examined. Twenty of these contracts were amended or extended from prior agreements. The original resolutions and contracts dated back as far as the year 2000. Some of the contracts had been amended anywhere from four to thirteen times. Each amendment was reflected in each subsequent resolution. However, in some instances the original contract could not be located. Record retention policies require the documents be maintained six years. Due to the multiple amendments, many were extended beyond this six year period making it difficult to determine the nature of the original services contracted. While there

is no statutory requirement that prohibits professional services contracts from being amended or extended, the transparency of these contracts is not clear. Four extraordinary unspecifiable services contracts, 15 competitively contracted, and 25 publicly bid contracts were examined.

We identified three instances where the contracts were not properly advertised and six instances where the certification of availability of funds could not be located. We noted that the majority of the contracts on file in the City Clerk's office were dated after the resolution and contracts were returned to that office for official filing. Many of the contracts are not dated by the City Attorney's office when they are drafted. We noted that some of the contracts on file in the Qualified Purchasing Agent's office had different dates. It appears that each office involved in the process dates the contracts on file in their respective offices differently.

We identified seven instances where the resolution did not reflect the procurement process that was followed. For example, a competitively contracted contract was noted as a professional services contract in the resolution or vice versa. Some resolutions have conflicting terms. The process for drafting the resolution is fragmented and not transparent. Resolutions are prepared in the City Attorney's office based on a request form. The documents are then routed to all other offices involved; the initiating department, purchasing, finance and City Clerk's office. There is no final review of the resolution and underlying documentation.

Recommendations

- Contracts should be dated in the City Attorney's office. Originally executed contracts should be on file in the City Clerk's office. Copies of the properly executed contracted should be maintained in each of the other offices involved in the process.
- The City Clerk's office has an automated agenda process that is being implemented. This process could be used to make the resolution process transparent to all parties involved. Each office should review and sign off on the resolution prior to the presentation to Council.
- The practice of amending professional services contracts should be reviewed. While there may be legitimate reasons for extending contracts, doing so over many years affects the transparency of the purchasing process. Some type of limit needs to be determined.

Individual Employment Agreements

There were no individual employee employment agreements in effect in the City during the audit period.

Public Employee Labor Contracts

We reviewed the collective bargaining agreements (CBA) negotiated with eight union locals representing the City employees to identify any benefits that appeared unreasonable or inappropriate. All the CBA's expired on December 31, 2008. Two agreements with the police unions were extended for one year by a memorandum of agreement.

The eight CBA's reviewed were as follows:

- The International Association of Fire Fighters – Local 2578
- The International Association of Fire Fighters – Local 788
- The Camden Organization of Police Superiors
- The Fraternal Order of Police – Camden Lodge #1
- Camden Council #10 – Supervisory Employees
- Camden Council #10 – Non Supervisory Employees
- Camden Council #10 – School Crossing Guards
- Teamsters Union Local No. 676 – NJ Civil Service Association

The agreements contain a number of benefits which when taken in the aggregate make the costs associated with the contracts significant. Both active employee benefits and benefits into retirement were reviewed. Active employee benefits include:

- Medical
- Prescription
- Dental
- Major medical
- Vision care
- Sick, vacation & holidays
- Longevity pay
- College credits
- Opt out program

The premiums, co-pays, deductibles and cost sharing provisions for healthcare benefits are defined in the CBA's. The City offers three main health plans with varying co-pay options attached to some of the plans. The City does not participate in the State Health Benefits Plan ("SHBP"). Employee co-pays and deductibles for major medical and prescriptions are fixed per the CBA. There is no premium cost to employees for dental coverage. The City pays \$125 per year for each uniformed employee to the respective unions for vision/eyeglass insurance and \$37.50 twice a year for non-uniformed employees. There is no review of the utilization of this benefit. Sick leave ranges from 15 to 18 days per year. Vacation ranges from 14 to 30 days. There are 14 holidays granted per year. Employees receive longevity pay based on years of service and start date. These payments can range from 3 to 11% of base pay. Uniformed services receive this pay over each pay period. Non uniformed employees receive a lump sum annually.

Police and fire personnel are paid \$10 for each college credit they have earned up to a maximum of \$1200 annually. Employees can also opt out of health benefits coverage offered by the City if they and/or their dependents have other health care coverage. In accordance with N.J.S.40A:10-17.1, the City may at its sole discretion pay employees who opt out up to 50% of the amount saved. The City has elected the maximum 50%. This rate is relatively high when compared to similar opt out programs. The savings is based on the cost of the various coverage scenarios for medical premiums on the AETNA self insured plan, the prescription plan rates and the Kerner dental plan. The cost to the City is approximately \$1.25 million annually. The decision of the

City to allow employees to waive coverage and the amount of the opt out benefit shall not be subject to the collective bargaining process according to N.J.S.40A:10-17.1.

The benefits provided to retired employees as defined in the CBA's include:

- Payment at 50% of current daily rate for accumulated sick time
- Unused vacation/holiday
- Terminal leave
- Severance
- Healthcare (medical, prescription and dental)

The collective bargaining agreements provide for the payment of unused sick time upon retirement. None of the eight agreements have a cap on the amount of unused sick time that may be paid. The State of New Jersey has a cap of \$15,000 for state employees. Public Law 2007, Chapter 92 placed the same \$15,000 cap on elected and appointed officials within political subdivisions of the state. The CBA's for the uniformed bargaining units stipulate that accumulated vacation and holiday time on the books as of December 31, 1996, shall be frozen and future accumulation set forth in the CBA. The CBA's for the police and fire personnel pay retirees a terminal leave benefit based on a rate of 1.1% of the last year's salary times the number of years service as of December 31, 1996. The CBA's for the non-uniformed bargaining units (except School Crossing Guards) pay employees a severance benefit of 1-10 weeks for employees employed prior to September 12, 2003, and 1-5 weeks for employees hired on or after that date. Healthcare benefits into retirement vary by each CBA. Additionally, the provisions of N.J.S. 40A:10-23 govern who is eligible for the benefits.

Recommendations

- The City should consider reducing the amount of the opt out benefit and should remove this section from the CBA in accordance with N.J.S. 40A:10-17.1.
- The City should consider placing a \$15,000 cap on accumulated sick time for new employees in all collective bargaining agreements.
- The terms and conditions of the eight contracts are not consistently worded and there are different benefit provisions in each. A number of arbitration hearings have been held due to interpretation issues on contract language. Since six agreements are currently in negotiation and the other two will expire soon, a consistent bargaining position and more uniform language in the contracts would result in greater efficiency in managing the agreements.
- The City has various plans and providers for healthcare and does not participate in the New Jersey SHBP. Studies and analyses have been performed by the New Jersey Division of Pensions and Benefits and the Brookings Institute which indicate considerable savings to the City by participating in the NJSHB. This would also remove health benefits from the collective bargaining process and establish a consistent and uniform application of benefits.

- Participation in the SHBP stand alone prescription drug plan may result in savings or more cost containment for the City.
- The City should consider increasing employee premium contributions for healthcare plans to help offset the increasing costs to the City.

Organizational Structure

The organizational structure of the operational areas within purchasing, general fiscal operations and payroll/human services was assessed. These areas were functioning adequately. However, we noted that the Employee Health Benefits Office is located in Human Resources under the Personnel Officer. This function manages the various health benefit plans and providers. This office also manages payments made by retirees and COBRA participants, institutes payments to the union health and welfare funds for vision care plans and opts out payments.

There is a United States Post Office operated in Malanbra Hall, a recreational center under the auspices of the City's Department of Human Services. There is financial activity for the sale of postage and other services. An inventory of stamps is maintained. The U.S. Post Office conducts an annual audit of Postal Stock and Funds. In the past there have been reported shortfalls in reconciling and accounting for the postage inventory.

Recommendations

- The functions of the Employee Health Benefits Office would better be supervised within the Finance Department. There should be some oversight or dotted line authority by the Office of Risk Management and by the City Personnel Officer.
- The financial activities within the Post Office should be under Finance Department oversight.

Vendor Addresses

A sample size of 300 was determined to test vendors paid at addresses listed as a P.O. Box or commercial mailing address. Criteria were developed to exclude nationally known companies, government agencies and vendors receiving less than \$2,000 during FY 2008. Additional procedures were applied to the remaining vendors. The additional procedures included web site searches, verification of business registration with the State of New Jersey, status on the New Jersey Treasury suspension/debarment listing, and review of voucher supporting detail. There were no vendors who did not appear to be legitimate businesses.

Personnel Database

The City does not maintain a dedicated personnel database system. Data is entered in the CAMPS system maintained by the New Jersey Department of Personnel and into the ADP payroll system. Employee files are comprised of hardcopy original documents and documents printed from either CAMPS or from ADP utilizing the ReportSmith report writing software. A scan of selected employees did not reveal any incomplete or missing key data elements in either of these systems.

Payroll Analysis

The analysis of payroll data to identify any employees who received greater than the normal number of checks for 2007 and 2008 did not reveal any additional paychecks or additional earnings other than: police secondary employment, reimbursements for various allowances authorized by collective bargaining agreements, and certain settlements as a result of arbitration decisions.

The analysis of payroll data to identify employees whose base salary increased by greater than \$7,500 from 2007 to 2008 did not reveal any employees whose increases were not the result of negotiated labor contracts or approved promotions.

Memorandum of Understanding

Compliance with the MOU signed with the DLGS Director was reviewed. The MOU delineates a number of specific requirements under broad sections such as personnel, budget and operations, reporting and general and operational requirements. Nothing came to our attention to indicate that the City did not comply with the terms of the MOU except for the following:

- The City did not seek reimbursement from employees who, in any of the five preceding years, were paid salaries and wages with the addition of a 27th pay period in excess of the annual rate of compensation established by ordinance for the job title.
- Police and fire collective bargaining agreements allow for reimbursement of educational expense that are not limited to certified personnel or those in certification programs requiring CEUs or training.
- The City did not ensure that all interfunds were liquidated by year-end.
- The City did not provide a cash management plan to DLGS.
- The City did not provide a plan for collection of outstanding grants receivable to DLGS.
- The City did not provide an annual fiscal recovery plan for 5 years with details on efforts to eliminate the need for Special Aid and include a capital project/acquisition plan.

City of Camden Corrective Action Plan

EFFICIENCIES AND COST SAVINGS

The Auditors make six (6) recommendations to increase efficiencies and cost savings:

Recommendation No. 1

In order to control costs associated with Workers Compensation, the City should consider reducing the maximum time allowed for employees to be out on paid leave under the Injured On Duty (“IOD”) policy. The current IOD policy grants uniformed employees up to one year and non uniformed employees up to ninety (90) days leave of absence with pay. A reduction in the one year timeframe combined with a more effective use of the light duty provisions in the bargaining agreements could significantly reduce these costs.

View of Responsible Officials and Planned Corrective Action

The City agrees with this recommendation and continues to work with the City’s Collective Bargaining Units through contractual negotiation to reduce the maximum amount of IOD paid leave and by increasing opportunities for light duty. In addition, As of January 1, 2009, the City participates in the “Cop-2-Cop” program. The Police Department also adopted a General Order establishing a Sick Leave Verification Policy to track and monitor leaves.

Recommendation No. 2

The City has a health insurance opt-out policy which allows eligible employees to waive health benefit coverage in return for 50% of the premium which the City would have paid for healthcare coverage. The premium is based on the rates for medical coverage under the Aetna PPO, dental and prescription coverage. Approximately 140 employees participate in this benefit, including 12 retirees. Benefit payments total about \$1.25 million per year. The 50% rate is the maximum allowed by statute. The decision to allow the waiver and the amount of consideration is not subject to the collective bargaining process. The City should consider reducing the amount of the opt-out benefit.

View of Responsible Officials and Planned Corrective Action

The City agrees with this recommendation. The health insurance opt-out program is currently the subject of the City’s Collective Bargaining Agreements. All but two of the City’s Collective Bargaining Agreements have expired and are in negotiation and/or arbitration.

Recommendation No. 3

The City has eight collective bargaining agreements which all expired on December 31, 2008. Agreement with each of the two police unions were extended for one year. The terms and conditions of the eight contracts are not consistently worded and there are different benefit provisions in each. A number of arbitration hearings have been held due to interpretation issues on contract language. Since six agreements are currently in negotiation and the other two will expire soon, a consistent bargaining position and more uniform language in the contracts would result in greater efficiency in managing the agreements.

View of Responsible Officials and Planned Corrective Action

The City agrees with this recommendation. Steps will be taken through the process of renegotiating the Collective Bargaining Agreements to use standardized formats for clarity and to help control costs.

Recommendation No. 4

The collective bargaining agreements provide for the payment of unused sick time upon retirement. None of the eight agreements have a cap on the amount of time that may be paid. The State of New Jersey has a cap of \$15,000 for state employees. Public Law 2007, Chapter 92 placed the same \$15,000 cap on elected and appointed officials within political subdivisions of the State. The City should consider placing a \$15,000 cap on unused sick time for new employees in all collective bargaining agreements.

View of Responsible Officials and Planned Corrective Action

The responsible City officials agree with the finding and recommendation and have taken corrective action. As of June 23, 2009, the appropriate Ordinances were adopted (MC-4481; MC-4482 and MC-4483) to establish compliance with Public Law 2007, Chapter 92 with the required \$15,000 cap on elected and appointed official payouts for unused sick time.

Recommendation No. 5

The City has various plans and providers for healthcare and does not participate in the New Jersey State Health Benefits Plan (SHBP). Studies and analyses have been performed by the New Jersey Division of Pensions and Benefits and the Brookings Institute which indicate significant savings to the City by participating in the NJSHBP. This may be impacted by proposed increases in NJSHBP rates.

View of Responsible Officials and Planned Corrective Action

The responsible City officials agree with the finding and recommendation and the City is engaged in exploring all options to reduce health benefit costs.

Finding No. 6

The City has entered into several shared services arrangements. There should be an ongoing process that strives to identify additional opportunities for efficiencies and savings.

View of Responsible Officials and Planned Corrective Action

The responsible City officials agree with the recommendation and are engaged in an on-going effort to increase efficiencies and reduce costs through shared services agreements.

OUTLIERS

In addition to the required elements of the audit, the auditors made six (6) findings outside the scope of the audit:

Finding No. 1

The City should adopt an ordinance that meets the requirements of the law and complies with the Local Finance Notices.

View of Responsible Officials and Planned Corrective Action

The responsible City officials agree with the finding and recommendation and have taken corrective action. As of June 23, 2009, the appropriate Ordinances were adopted (MC-4481; MC-4482 and MC-4483) to establish compliance with Public Law 2007, Chapter 92 with the required identification of positions for the DCRP and other restrictions on vacations and holidays. Any employees required to be enrolled in the DCRP will be transferred to the DCRP.

Finding No. 2

The City should review the operating procedures within the Third Party Lien Holder account and provide training to staff on acceptable identification.

View of Responsible Officials and Planned Corrective Action

The responsible City officials agree with the finding. The City detected the fraud and disclosed it to the auditors. The City sought and obtained recovery from the bank involved. Fraud detection training will be provided in all areas where funds are paid to the City.

Finding No. 3

The City should issue Ethics and Whistleblower policies as soon as possible. The Office of Information Technology could place these policies on a website where annually, all employees can electronically review and accept terms of each code/policy. For those employees without access to a computer, a

manual document will require a signature and be maintained in the employee's personnel file in the personnel department.

View of Responsible Officials and Planned Corrective Action

As an instrumentality of the State, State ethics laws, rules and regulations extend to govern the conduct of City employees. Further, pursuant to existing City Code, there is biannual ethics training for all employees. The City's Code also prohibits conflict of interest. In addition, the City will move forward with a comprehensive ethics policy ordinance on first reading September 8, 2009, which had previously been rejected by City Council in expectation of State regulation.

The Conscientious Employee Protection Act notice is posted on employee bulletin boards. Since the audit, a copy of the Conscientious Employee Protection Act has been incorporated in the City's Employee Policy Manual.

Finding No. 4

These employees should be on the same timesheet cycle as all other employees.

View of Responsible Officials and Planned Corrective Action

The responsible City official agrees with the finding. Employees hired before October 1973 have a different pay schedule that was never adjusted in-line with the other employees. The City agrees to adjust the pay cycle for the "up-to-date" employees in line with the rest of the employees.

Finding No. 5

The City should develop a comprehensive policy and procedures manual for each operational area.

View of Responsible Officials and Planned Corrective Action

Each Department maintains its own operations manual. The responsible City officials agree the manuals should be disseminated to the employees of each department and training on the policy and procedures in the manuals. The City's Purchasing Manual and Employee Policy Manual are available to the employees through the City's web site.

Finding No. 6

Training should be provided on a regular on-going basis, particularly in areas noted as weaknesses in previous audits, reviews and analyses.

View of Responsible Officials and Planned Corrective Action

The responsible City officials agree with this finding and will take corrective action to provide training as resources and needs dictate.

REQUIRED ELEMENTS OF THE AUDIT - INTERNAL CONTROLS, COMPLIANCE, FINDINGS AND RECOMMENDATIONS:

PURCHASING, ACCOUNTS PAYABLE AND CASH DISBURSEMENTS

Recommendation

We recommend that controls be re-evaluated and the edits made to the vendor master file should be restricted.

View of Responsible Officials and Planned Corrective Action

The responsible City Officials agree there should be controls on accessing the City's master vendor file. Access to the vendor master file is restricted within the Edmunds Software. There are a limited number of employees outside of Purchasing and Finance who have just inquiry-level access to the vendor master file. Only Finance & two Purchasing employees have levels of access high enough to make any changes to the vendor master file. These levels are given within the finance and purchasing offices for the purpose of W-9 reporting changes, to aid in obtaining vendor business registration certificates and for general new vendor input and existing vendor address change information.

Recommendation

The City of Camden should review and update the vendor listing used in the Edmunds System. As a result, vendors can be distinguished by active and inactive accounts.

View of Responsible Officials and Planned Corrective Action

The vendor file will be reviewed and inactive vendors will be removed to make the update process more efficient before September 30th, 2009.

PAYROLL**Recommendation**

The City's Administration should determine a date in which the HTE payroll system is permanently effective by for the Bureau of Payroll.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with this finding and as stated, the City is the process of transitioning to an automated time, attendance and payroll system. The timing of this transition is predicated on the completion of a full audit of accrued leave balances for all employees which is currently underway.

HUMAN RESOURCES**Recommendation**

When the beginning balances have been completed and the system is ready for full implementation, training needs should be assessed.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with this finding and training on both the use of the automated system and on the leave restrictions in the Collective Bargaining Agreements will be provided in each department. Thus, with use of the automated system, training and management oversight, leave balances will not accrue beyond what is permitted by Collective Bargaining Agreement, Statute or City Code.

BUDGETING**Recommendation**

We recommend that the City examine this functionality within Edmunds and implement the utilization of such controls within their Edmunds accounting system.

View of Responsible Officials and Planned Corrective Action

As of May 2009, the City has undertaken a review of the functionality of the Edmunds system and the type of reports it can generate. As a result of the review, the City has determined that Edmunds does have the capacity to provide up-to-date picture of the City's financial condition.

Previously, a financial model known as the "Financial Status Report ("FSR")" was developed to assist the City with its budgeting and expenditure processes. The FSR has helped guide the City with regard to keeping track of expenditures and staying within budget parameters. The use of the FSR is being incorporated into the City's Code.

The Edmunds System and the FSR can be used concurrently or independently of one another to support the budget process.

REVENUE AND CASH RECEIPTS**Recommendation**

We recommend the City integrate the Tax Collection's cash receipt/revenue process within the City's general ledger in order to prevent inefficiencies and reduce the occurrence of errors.

View of Responsible Officials and Planned Corrective Action

The responsible officials do not agree with the finding. Previously, during another audit several years ago, it was recommended to the City that it disengage the connection between the cash receipts function (Tax Collections) and the General Ledger due to the high volume of transactions being done on the Tax Collections side. The City will consult with local auditors and internal personnel to determine if present system is efficient.

Recommendation

We recommend that the City implement policies and procedures to ensure that all receipts collected are deposited within 48 hours. Due to the fact that the armored car collects daily, compliance with this statute should be adhered to by the City.

View of Responsible Officials and Planned Corrective Action

It is standing policy that at the beginning of each fiscal year, the Finance Department issues a notice to all department heads pertaining to the 48 hour policy and the need to comply with this policy. When issues do arise, the responsible officials either meet or instruct the problem area to adhere to the compliance regulation. Going forward, the responsible officials will send out the notice every six months as a reminder.

Recommendation

The City should review general ledger detail, which should include but not be limited to cash receipts, on a monthly basis to verify all activity within each fund to be completely and accurately recorded.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with this finding. Additional resources have been dedicated to monitor the general ledger activity and the cash receipts area.

GENERAL LEDGER MAINTENANCE**Recommendations**

We recommend the City keep supporting documentation for all journal entries made throughout the year to leave an audit trail.

We recommend the City implement a monthly general ledger closing process which would assist in resolving any errors or discrepancies between departments and will also help efficiently close the general ledger at year end.

We recommend the City reconcile all subsidiary ledger accounts, which will help the City, maintain adequate books and records with appropriate supporting documentation. It will also help City reduce the number of year end adjusting entries made to the general ledger.

We also recommend City review general ledger detail on a monthly basis to verify all activity within each fund to be accurately recorded.

We recommend that the City maintain general ledgers in a format whereby financial statements and other financial information, without material misstatement, can be generated, that the general ledgers reconcile with supporting subsidiary records and documents, and that account balances recorded in the general ledgers be reviewed on a monthly basis for validity and proper disposition.

We recommend that the City conduct a comprehensive training on the Edmunds system for all employees that are directly involved with the Edmunds system or general ledger. This training should be focused to address the utilization of Edmunds for both staff and upper management, including Supervisors and Directors. This training should minimize the errors caused by user inputs into the general ledger as well as maximize the functionality of the Edmunds capabilities.

View of Responsible Officials and Corrective Action

The responsible officials agree with all of the findings in this area and corrective action is being implemented. To that end, the responsible officials are currently reviewing the month end closing processes available through the various modules of the Edmunds program to alleviate the time-consuming process of researching general ledger discrepancies at year end. The Finance Department is developing internal controls to ensure that general ledger reconciliations are occurring on a monthly basis as well.

BANKING AND INVESTMENT POLICIES**Recommendation**

The Treasurer should sign off on all reconciliations along with the date to leave an audit trail of the review process.

View of Responsible Officials and Corrective Action

The responsible officials have instituted that a new process which will occur at the Director's office. A designated person from the Director's office will perform the reconciliations upon receiving the bank statements. The Treasurer and/or the Director of Finance will initial off and date the documents starting with the July 2009 bank statements. All bank reconciliations and bank statements will be kept in a binder system.

Recommendation

The City should prepare reconciliations for all bank accounts within a month following the month end to be able to manage their cash more efficiently, effectively maximum internal controls over this process, and comply with their cash management plan.

View of Responsible Officials and Corrective Action

The responsible officials agree with the recommendation that reconciliations occur on a monthly basis. The City has strengthened the internal controls by removing the reconciliation process away from the Treasury function.

Recommendation

The City should review, as a part of the Treasury function, on an annual or semi-annual basis, outstanding checks older than 6 or 12 months for proper disposition or cancellation

View of Responsible Officials and Corrective Action

Outstanding checks issued prior to June 2008 were cancelled by resolution on June 23, 2009. The responsible officials are working with staff to implement internal controls to ensure that all checks are reviewed for proper disposition and that outstanding checks are handled in an appropriate manner.

Recommendation

The need to maintain the Third Party Lienholder account and the Legal Fees and Costs accounts as off-line accounts should be reviewed. Bank statements and cancelled checks for the Third Party Lienholder account should be sent directly to the Treasurer's office. Disbursements from both accounts should be noted on the bill list prepared for Council. There needs to be more oversight on these accounts by the Treasurer's Office.

View of Responsible Officials and Corrective Action

The current set up of the Third Party Lienholder Account has been in place since 2001. Upon review, it appears that most Tax Collectors operate this type of account in the same manner. With that being said, the responsible officials will adjust the checks to have two signatures as opposed to the current one signature. Also, monthly reconciliations will be performed out of the Director's office so as to further strengthen controls.

Recommendation

The city should adopt a cash management plan on an annual basis and comply with the policy and procedures specified in the plan.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding. As a result, the City is reviewing its current level of banking services with the intent of issuing an RFP for banking services in late Fall 2009.

Recommendation

The City should periodically issue RFP's for banking services in order to obtain potential cost savings and more efficient banking services.

View of Responsible Officials and Corrective Action

The City is also reviewing its previous cash management policy as well as policies from other municipalities to adopt a comprehensive cash management policy during FY2010. Going forward, this policy will be reviewed and updated on a regular basis.

CAPITAL ORDINANCES**Recommendation**

The City needs to develop and document a coordinated approach to monitoring and planning for the retirement of temporary debt. Input from bond counsel, the City Treasurer and financial advisors should be utilized in developing this plan.

View of Responsible Officials and Corrective Action

The responsible City officials agree with this finding and will work with bond counsel and the State Treasury Department to develop a coordinated approach for monitoring the retirement of the City's debt. In addition, the City will continue to ensure that bond ordinances are properly prepared and advertised pursuant to statute.

TAX ABATEMENTS AND EXEMPTIONS**Recommendation**

We recommend that on an annual basis, the comprehensive list of abated properties should be reconciled to the tax billings. This will prevent discrepancies from billings to what should be collected per the PILOT agreement. Also, someone independent of the Tax Assessor's office should review the reconciliations and verify the accuracy of tax abatements calculated and if they reconcile with the actual tax billings appropriately.

View of Responsible Officials and Corrective Action

The responsible City officials agree with this finding and will ensure delivery of the necessary agreements and reports to the Division of Local Government Services to bring the City into compliance with State statute. In addition, the Tax Assessor will work in concert with the Law Department and the Tax Collector to ensure that the status of commercial and residential rental units with active PILOT agreements is determined on an annual basis. Further, these departments will work to establish continuity in the maintenance of PILOT files to ensure that all necessary documentation is included.

TRUST FUNDS**Recommendation**

We recommend that the City of Camden should adopt a resolution to obtain official rider dedication for all applicable trust fund reserves.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding. The City is exploring options relating to obtaining official rider dedication for applicable trust fund reserves with the hope of receiving such by the end of FY2010.

Recommendation

We also recommend the City review its trust fund reserves for applicability and either cancels inactive reserves or adopts a resolution and request an approval from the State, in order to obtain a rider dedication for applicable reserves that have been determined as spending reserves.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding. The City is exploring options relating to obtaining official rider dedication for applicable trust fund reserves with the hope of receiving such by the end of FY2010.

Recommendation

Additionally, we recommend that monthly reconciliations for trust funds should have signature of preparer and date of reconciliation performed as well as signature of reviewer and date to evidence that trust funds reconciliations are prepared and reviewed timely.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding. The City is in the process of developing a system for reconciling trust funds on a monthly basis as recommended.

GRANT ACCOUNTING

Recommendation

We recommend that based on the information provided by each city department, an electronic schedule of each grant should be maintained to evaluate collectability of grants annually. In addition, grants receivable should be monitored not less than annually to determine current status.

View of Responsible Officials and Corrective Action

The responsible officials agree with this finding and the recommendation will be implemented by the Bureau of Grants Monitoring (BGM).

Recommendation

Although BGM was able to locate the applicable documentation, we recommend that documentation for each grant be maintained in one location. Each grant file should include *all* documentation pertaining to the grant from the initiation, resolution, awarding, reporting and monitoring of the grants.

View of Responsible Officials and Corrective Action

The responsible officials agree with this finding and the recommendation will be implemented by the Bureau of Grants Monitoring (BGM).

Recommendation

We recommend, that on an annual basis, with cooperation from the Department receiving the grant monies, that the BGM Executive Assistant supply the Finance Department with a listing of grants on which the City will not be able to collect the receivable balance or will not have to pay the remaining payable balance.

View of Responsible Officials and Corrective Action

The responsible officials agree with this finding and the recommendation will be implemented by the Bureau of Grants Monitoring (BGM).

Recommendation

We also recommend that the appropriate journal entries be recorded by the City on an annual basis to reconcile these accounts to their correct balances.

View of Responsible Officials and Corrective Action

The responsible officials agree with this finding and the recommendation will be implemented by the Bureau of Grants Monitoring (BGM).

INVENTORY AND FIXED ASSETS

There were no recommendations provided for this functional area.

INFORMATION TECHNOLOGY OPERATIONS

Recommendation

The following recommendations were made with regard to the City's information technology structure:

1. Conduct a gap analysis to identify opportunities and vulnerabilities in existing plans.
2. Implement a SSL VPN solution to better protect the network from intruders/hackers, while also protecting the end users credentials. Users should be securely authenticating through a SSL VPN connection and then establishing a connection to the server.
3. Subscribe to a hosted continuous data protection solution for automatic off-site back-up. In addition to being much more reliable, this method eliminates administrative maintenance (and associated costs) as well as human error (wrong tape inserted, forgot to change tape, etc.).
4. Subscribe to a network monitoring/managed services provider for live support and network maintenance. Select a service that uses a patch approval process which eliminates unnecessary patches from being installed on workstations and servers. This would also eliminate the need to run a WSUS server which will, in turn, free up space and resources in the environment. Patch management would become automated, improving reliability and further reducing overhead.

Ideally, the service should offer:

- 24 X 7 Monitoring
- Technology Asset Inventory
- Live assistance
- Alerting / Notification
- Complete Patch Management
- Virus Protection Monitoring
- Monthly Management Report
- Security Log Monitoring
- Application Log Monitoring
- Network Bandwidth Usage
- Dedicated Systems Analyst
- Technical Support
- Help Desk Support
- Remote Control Shadow Sessions
- Hardware/Software Change Notification
- Onsite Assistance
- Continuous-Data-Protection (CDP) Tapeless Backup
- Endpoint Security
- Emergency Imaging Restore
- Email/Content Management

5. Lock all IDF boxes.
6. Move existing servers into a virtual environment. By moving to a virtual environment the City would significantly reduce its carbon footprint, save space in the server room and drastically

reduce power consumption. Maintenance, support and hardware could be significantly reduced as well.

7. Survey and remove unauthorized software.
8. Secure the Data Center from water sources.
9. Remove, re-route or retro-fit the water discharge into a closed system.
10. Maintain the temperature in the Data Center at 68° or lower.
11. Install temperature monitoring with remote alarm/alert functions for Data Center.

View of Responsible Officials and Corrective Action

The responsible City officials will conduct a gap analysis to determine vulnerabilities in existing plans including looking to establish automatic off-site back-up for the network. The City already participates in “Document Mall” as part of a program undertaken by the City Clerk’s Office for the preservation of records.

RISK MANAGEMENT

Recommendation

In order to control costs associated with Workers Compensation, the City should consider reducing the maximum time allowed for employees to be out on paid leave under the Injured on Duty (“IOD”) policy. A reduction in the one year time frame combined with a more effective use of the light duty provisions in the bargaining agreements could significantly reduce these costs.

View of Responsible Officials and Corrective Action

The City continues to work with the City’s Collective Bargaining Units through contractual negotiation to reduce the amount of IOD and increase opportunities for light duty. In addition, as of January 1, 2009, the City participates in the “Cop-2-Cop” program. The Police Department also adopted a General Order establishing a Sick Leave Verification Policy to track and monitor leaves.

Recommendation

A risk management plan should be developed which outlines a comprehensive approach to risk management.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding and will work to develop a comprehensive risk management plan. The City has also undertaken additional strategies to reduce insurance costs including having a safety committee in the Department of Public Works that meets to review safety issues.

ADDITIONAL PROCEDURES PERFORMED

PAYROLL DISTRIBUTION AUDIT

Recommendation

The Zoning Board attorney position should be abolished and the function contracted out in accordance with Local Public Contracts Law.

View of Responsible Officials and Corrective Action

For reasons unrelated to the audit, the City employee serving as Zoning Board Attorney separated from employment with the City. That same person is now serving as Zoning Board attorney under a professional services contract.

PROFESSIONAL SERVICES, EXTRAORDINARY UNSPECIFIABLE SERVICES AND COMPETITIVE CONTRACTING

Recommendation

Contracts should be dated in the City Attorney's office. Originally executed contracts should be on file in the City Clerk's office. Copies of the properly executed contracts should be maintained in each of the other office involved in the process.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding and will work with the relevant departments to ensure continuity within the contract files.

Recommendation

The City Clerk's office has an automated agenda process that is being implemented. This process could be used to make the resolution process transparent to all parties involved. Each office should review and sign off on the resolution prior to the presentation to Council.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding and will implement the recommendation.

Recommendation

The practice of amending professional services contracts should be reviewed. While there may be legitimate reasons for extending contracts, doing so over many years affects the transparency of the purchasing process. Some type of limit needs to be determined.

View of Responsible Officials and Corrective Action

Professional services contract amendments are sometimes as a result of available funding. Contracts are amended as funding becomes available. Going forward, the responsible City officials will continue to evaluate professional services contracts to determine whether a new contract would be appropriate as opposed to a contract amendment for the continuation of professional services.

INDIVIDUAL EMPLOYMENT AGREEMENTS

There were no recommendations provided for this area.

PUBLIC EMPLOYEE LABOR CONTRACTS

Recommendation

The City should consider reducing the amount of the opt-out benefit and should remove this section from the CBA in accordance with N.J.S. 40A:10-17.1.

View of Responsible Officials and Corrective Action

The City agrees with this recommendation. The health insurance opt-out program is currently the subject of the City's Collective Bargaining Agreements. All but two of the City's Collective Bargaining Agreements have expired and are in negotiation and/or arbitration.

Recommendation

The City should consider placing a \$15,000 cap on accumulated sick time for new employees in all collective bargaining agreements.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding and have begun to take corrective action. As of June 23, 2009, the appropriate Ordinances were adopted (MC-4481; MC-4482 and MC-4483) to establish compliance with Public Law 2007, Chapter 92 with the required \$15,000 cap on elected and appointed

official payouts for unused sick time. Placing the cap on all other new employees not covered by P.L. 2007, c.92 is being considered through the renegotiation of the City's Collective Bargaining Agreements.

Recommendation

The terms and conditions of the eight contracts are not consistently worded and there are different benefit provisions in each. A number of arbitration hearings have been held due to interpretation issues on contract language. Since six agreements are currently in negotiation and the other two will expire soon, a consistent bargaining position and more uniform language in the contracts would result in greater efficiency in managing the agreements.

View of Responsible Officials and Corrective Action

The City agrees with this recommendation. Steps will be taken through the process of renegotiating the Collective Bargaining Agreements to use standardized formats for clarity and to help control costs.

Recommendation

The City has various plans and providers for healthcare and does not participate in the New Jersey SHBP. Studies and analyses have been performed by the New Jersey Division of Pensions and Benefits and the Brookings Institute which indicate considerable savings to the City by participating in the NJSHB. This would also remove health benefits from the collective bargaining process and establish a consistent and uniform application of benefits.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding and recommendation and the City is engaged in exploring all options to reduce health benefit costs.

Recommendation

Participation in the SHBP stand alone prescription drug plan may result in savings or more cost containment for the City. The City should consider increasing employee premium contributions for healthcare plans to help offset the increasing costs to the City.

View of Responsible Officials and Corrective Action

The responsible City officials agree with the finding and recommendation and the City is engaged in exploring all options to reduce health benefit costs.

ORGANIZATIONAL STRUCTURE

Recommendation

The functions of the Employee Health Benefits Office would better be supervised within the Finance Department. There should be some oversight or dotted line authority by the Office of Risk Management and by the City Personnel Officer.

View of Responsible Officials and Corrective Action

The responsible City officials agree with this finding and steps will be taken to implement this change.

Recommendation

The financial activities within the Post Office should be under Finance Department oversight.

View of Responsible Officials and Corrective Action

The responsible City officials do not agree with this finding as the monies collected are sent to the U.S. Postal Service. Additionally, an audit of this post office is performed by the appropriate federal agencies. The City has absolutely no involvement with any financial aspect of this operation.

VENDOR ADDRESSES

There were no recommendations provided for this area.

PERSONNEL DATABASE

There were no recommendations provided for this area.

PAYROLL ANALYSIS

There were no recommendations provided for this area.

MEMORANDUM OF UNDERSTANDING

There were no recommendations provided for this functional area; however, the City continues to work cooperatively with all involved State agencies that provide oversight to the operational issues within the City.